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NEWS SUMMARY

GENERAL

More strife in Kabul

Shops and bazaars in the Afghan capital Kabul were closed for the fourth consecutive day and *civil servants were reported on strike yesterday after last week's protests against Soviet intervention in Afghanistan.*

Rebel forces based in Pakistan said that hundreds were killed and thousands wounded in two days of fighting between civilians and Afghan troops in the city.

The Afghan Government said it had crushed an attempt organised by the U.S., Pakistan and China to mount a revolt. Page 2 and Back

Gwelo bomb

A bomb wrecked a mission printing works at Gwelo, Rhodesia, killing two people shortly before guerrilla leader Joshua Nkomo arrived to address an election rally. Page 2

Coup 'imminent'

The U.S. State Department warned that a coup seemed imminent in the central American republic of El Salvador and that such action could lead to the severance of \$60m in planned aid. Page 2

Consumer review

The Government is conducting a major review of consumer representation in the nationalised industries, which may suggest merging the 43 consumer councils into one body. Page 6

Pollution alert

Anti-pollution vessels were standing by to combat a big crude oil slick spilled into the sea from the tanker Irenes Serenade, which sank off the Greek port of Pilos.

Death sentences

A Central African Republic court sentenced three men to death for their part in killings ordered by deposed Emperor Bokassa.

Soccer clashes

More than 30 soccer fans will appear in court today following clashes during and after Chelsea's game at Bristol Rovers on Saturday. Fans rampaged through the streets after Chelsea's 3—0 defeat.

Aeroflot attack

Thirty people attacked and damaged the Paris office of the Soviet airline Aeroflot.

Tito still grave

President Tito of Yugoslavia remained in a grave condition with pneumonia and severe kidney problems.

Cardinal error

Cardinal Basil Hume, leader of Britain's Catholics, was named on the Heathrow VIP list as the Archbishop of Canterbury when he flew back from Rome. An airport official said: "It must have been a typing error."

Briefly . . .

A Chinese man who hacked to death his neighbours and their eight-year-old son was executed in front of 10,000 people.

Britain's latest heart transplant patient, Derrick Morris, 49, was "doing fine" at Harefield Hospital, Hillingdon.

Widespread floods have made about 200,000 people homeless in seven Brazilian states.

Explosives experts were dealing with three big bombs found on the wreck of a wartime German Dornier aircraft which was being excavated in a Cornwall country park.

BUSINESS

UK loses £10m air traffic contract

● UK CIVIL AVIATION *Authority has ruled out the purchase of air traffic control equipment worth £10m-£20m from Plessey and GEC-Marconi. Instead it will buy a U.S. Westinghouse or Dutch Philips system.* Page 4

● NEW PUBLIC purchasing policy is being drawn up by the UK in the coming months to encourage British companies to develop new products to win exports. Back Page

● THE TREASURY is increasing interest rates on certificates of tax deposit in line with the recent tightening in UK monetary conditions. Page 6

● COAL BOARD has placed orders worth over £50m for equipment at Yorkshire's new Selby mine, where production should start in 1983. Page 4

● THE GOVERNMENT is reviewing consumer representation in nationalised industries and may suggest merging the 43 separate councils. Page 6

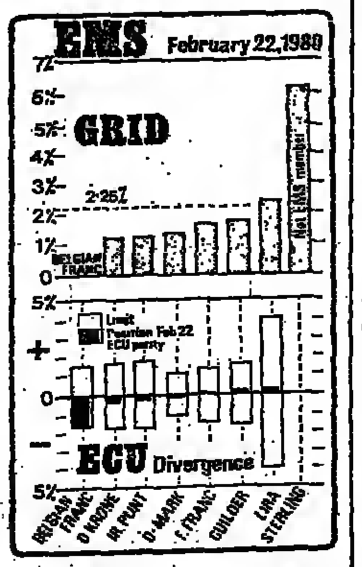
● TURKEY is asking Western governments to provide untied loans over the next five years of \$5.8bn (£2.78bn) or to reschedule a half of the country's \$14bn debt. Back Page

COMPANIES

● LUFTHANSA, the German airline, made a profit last year and expects to be in the black in this year as well, despite the uncertainty of jet fuel prices. Page 20

● AIR PORTUGAL has halted conditional orders worth \$300m (£132m) for five Lockheed TriStar 500s, which were to have been signed this week. Page 3

● THE BELGIAN FRANC last week fell close to its lower limit within the European Monetary System at which the central bank is expected to take some corrective action. In Brussels, the National Bank raised interest rates on Treasury certificates, but left its discount rate unchanged. The French franc lost ground against most EMS partners despite firmer interest rates, with call-money returning to the five-year peak of 12¾ per cent first touched in December, while commercial bank prime rates began to rise on Friday. The Italian lira confirmed its position at the top of the system. The Dutch guilder also advanced to challenge the franc, while the Deutschemark remained in the middle, above the Danish krone, Irish punt and Belgian franc.



The charts show the two constraints on the European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

Private steel strike unlikely to be called off at once

BY CHRISTIAN TYLER, LABOUR EDITOR

THE SYMPATHETIC strike by steelworkers in the private *sector is unlikely to be called* off today by leaders of the Iron and Steel Trades Confederation, in spite of the votes of its members at two big Sheffield plants.

Last night Mr. Bill Sirs, general secretary of the ISTC, *said he thought his national* executive committee, which meets this morning, would want the strike to go on for the time being.

"We want them to stay out, and go back when we ask them," he *said*. "*I don't think* we'll be asking them to go back this week."

Workers at Hadfields' two Sheffield plants voted yesterday to return to work this morning.

They had reluctantly rejoined the strike after mass picketing and the refusal of the local strike committee to give them dispensation as suggested by Mr. Sirs.

Half the ISTC members at Johnson and Firth Brown have already voted to return today and men at the smaller Spencer *Clark Industries say they* will stay out only one more week.

The union will consider ways tightening up the strike against British Steel Corporation, now approaching its ninth week.

The Transport and General Workers' Union, which has been asked to clamp down on movement of steel by lorry drivers and dockers, is anxious to sit alongside the ISTC and the Blastfurnacemen in talks with BSC.

Mr. Sirs warned last night that the strike was *far from* over.

Referring to exploratory talks on Friday, he said: "The corporation obviously don't want *to settle he issues. All they* want to do is change negotiating procedures."

Some of BSC's complaints about the two unions' draft of an agreement may be looked at, but the main demands, including a wage increase of 20 per cent with less stringent conditions attached, remain unchanged.

Mr. Sirs was speaking after a visit to Rotherham, where on Saturday night the union's strike headquarters was gutted by *fire and a* steelworker escaped with his life by jumping from the window. Mr. Sirs said the fire, which police are treating as arson, had caused about £50,000 worth of damage.

This and a break-in at the union's offices at Shotton, North Wales, suggested that *Government denouncements* of trade unions were inciting extremists Mr. Sirs said.

"One wonders whether this means they are encouraging Right-wing factions to take action," he said. He called on *Ministers* to condemn the firebombing just as they had condemned steelworkers' pickets.

Steel unions, including the ISTC, meet BSC today in an attempt to defer a closure programme which would mean loss of 33,000 more jobs this year.

Unless BSC *relented*, Mr. Sirs said, the TUC General Council on Wednesday would consider giving effect to the recent warning by Mr. Len Murray, TUC *general secretary*, that the Government faced "big trouble."

The vote of the South Wales miners not to strike from today as requested by their area leaders has clearly weakened the force of that implied threat.

But Welsh miners' leaders as *well as Mr. Sirs argued that the* miners would take industrial action if it was sanctioned by the TUC and the NUM nationally.

The TUC has already planned a Sunday demonstration against the Government on *March 9*, and a national day of action on May 14.

● Courts should have powers to ban picket offenders from public *meetings* and demonstrations, Mr. John Wheeler, Tory MP for Paddington and a former assistant prison governor, suggested today in a Conservative Political Centre pamphlet.

"Parliament must frame ground rules to enable the police to do their job effectively," he said.

Searching for an end, Page 7; Sir Keith's ideas on industry, Page 12

Fairey board favours Hambros-led offer

BY ROBERT COTTRELL

THE BOARD of Fairey Holdings, the National Enterprise Board-owned engineering company, has come out in favour of the £19.5m cash bid from an institutional syndicate led by Hambros Bank.

None the less, the NEB itself is believed to regard the offer, made on Friday, as too low. Nor does it want to be rushed into a decision, in spite of the 28-day time-limit for acceptance attached to the offer from the syndicate.

The syndicate comprises about 20 City institutions, and *is believed to include the* Electrical, Electronic, Telecommunication and Plumbing Union, which has a strong membership among the Fairey workforce.

Thus the NEB is unlikely to give a formal response to the Hambros offer until it has received last year's audited figures from Fairey in two to three weeks' time.

About 11 other companies are known to be interested in acquiring all or part of Fairey. These are believed to include Trafalgar House, which tried to buy Fairey out of receivership in 1977 but was outbid by the NEB.

The Hambros offer is conditional on the NEB's not opening negotiations with any contesting bidder. But especially now the Government has eased the pressure on it — it *originally* had till the *end of* next month to raise £100m in this way — the NEB is unlikely to forego the possibility of securing a higher offer for Fairey.

The Fairey board said yesterday that, of all the possible options for the company, they "prefer the bid most definitely."

The board saw the Hambros scheme as securing the group's future integrity, while a takeover by another company might lead to its being broken up.

The Fairey Board said the nature of the bid came as no surprise to the NEB. Discussions on sale of Fairey to an *institutional* syndicate had *been* going on since last September between Mr. Angus Murray, chairman of Fairey, and Sir Arthur Knight, the NEB chairman, and his predecessor, Sir Leslie Murphy, it said.

Under Hambros' proposals, itself would retain 10 per cent of Fairey share, and would be seeking a full Stock Exchange quote in about two years' time.

Fairey has net assets of some £20m. Profits for this year are unlikely to show much change over last year's £5.2m.

State industries' accounts brought within new standard

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE ACCOUNTING Standards Committee, the rule-making body on company accounting matters, has taken action to bring a greater consistency to the accounts of nationalised industries.

It has decided to bring their accounts, which in the past few years have increasingly included controversial adjustments for inflation, within the new inflation accounting standard.

A late addition to the standard, which is in the process of ratification by the councils of the accountancy bodies, indicates that the state companies will not be able to pick and choose inflation accounting policies as in the past.

The accounting standard, which will be known as SSAP 16, accepts that the gearing adjustment—one of the adjustments in inflation accounting which recognises the gain from borrowing during times of inflation—should not be made in *state companies' accounts*. But it adds in paragraph 51: "Accordingly in such cases interest on their net borrowings should be shown after taxation and extraordinary items."

Some nationalised industries, generally the more profitable ones, wanted the right to ignore the gearing adjustment while continuing to charge interest on borrowings in calculating their pre-tax profits. That approach would mean that their reported profits would be much lower than the figure which SSAP 16 now demands.

The committee's move, which follows a recent Treasury decision that the *gearing adjustment* should not be applied in nationalised *industry accounts*, is apparently still the subject of discussion between the accountancy bodies and the Treasury. Talks centre principally on the exact wording of paragraph 51 of the forthcoming standard.

Government pressure to make this more flexible may be difficult to respond to, since SSAP 16 is effectively regarded as completed. It was approved by the Institute of Chartered Accountants of Scotland last Friday and goes before the councils of the other main accounting bodies over the next month.

The leading professional body, the English Institute of Chartered Accountants, will consider the draft on March 6 while the results of a secret ballot among members of the committee itself as to whether the standard should now be published will be known within a week.

No significant objections are expected, and last Friday Mr. David Richards, president of the English institute, said in Cardiff that publication of SSAP 16 was scheduled for March 31.

Mr. Douglas Morpeth, chairman of the accountancy profession's inflation accounting steering group said yesterday that he hoped that the standard would be issued at the end of March. He then wanted to see "a period of stability and practical application."

Details, Page 4

Brazil seeks European aid and investment

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

BRAZIL in a major reversal of past nationalistic attitudes is to adopt a less restrictive stance toward foreign investment in an effort to enlist aid of foreign banks and businesses, particularly in Europe—in tackling her increasingly serious balance-of-payments deficit.

The deficit this year is officially *estimated* to reach *\$16bn* (about £7.0bn).

Brazil is anxious to raise funds from the private sector without recourse to the International Monetary Fund, and the risk of having restrictive Fund policies imposed on it.

Prof. Antonio Delfim Netto, Brazilian Planning Minister, arrived unexpected in London from the U.S. yesterday to seek financial help in Europe. He hopes to switch much of Brazil's borrowing from U.S. to European banks.

The *main beneficiaries* of Brazil's new attitude will in the first instance be mining companies which undertake to export the minerals they develop.

Economic institute's grant halved

By Peter Riddell, Economics Correspondent

THE TREASURY has decided to halve, in real terms, its grant to the National Institute of Economic and Social Research an independent body which has been extremely sceptical about the Government's economic strategy. The cut is equivalent to a sixth of the institute's annual income.

The move is being presented as part of the latest round of public spending cuts. But it will be widely seen as a further, and ministerially approved, sign of the erosion of the *institute's former pre-eminence*.

The institute was one of the pioneer economic forecasting bodies in the UK and it is still one of the major sponsors of research into economic policy and industry.

However, the consistently expansionist and pro-incomes policy line of its quarterly review has had much less influence in the last few years in face of the greater emphasis on *monetary policy*.

The quarterly review was described as the "Comic Cuts of economic publications" by Mr. Nigel Lawson, the Financial Secretary to the Treasury, in a Commons debate shortly *before the last election*.

The Treasury grant has been about £200,000 a year out of a total institute annual income of £600,000. The new grant will, as before, run for three years and will be, in real terms, half the level of the last three years.

There will be some adjustment in cash terms since salaries of the institute's research staff are linked to Civil Service pay scales.

This is not the first time the institute has faced a cut since the Government backed Social Science Research Council reduced its grant in 1975.

Till then, four-fifths of the institute's income had come from the Government. To lessen this dependence there has been a campaign to boost business subscriptions, which have risen from 8 to 14 per cent of total income.

This latest cut will leave a large gap and there will be a further drive to raise money. There will be no sudden redundancies since the institute has for some time been very cautious about replacing staff who leave.

Kuwait plans 50% cutback in oil supplies

BY SUE CAMERON AND RICHARD JOHNS

KUWAIT expects to cut oil supplies to British Petroleum, Shell and Gulf by at least 50 per cent under new contracts being negotiated, according to Oil Ministry officials.

In percentage terms, the reduction will be greater than the cut in production from 2.2m barrels to 1.5m barrels a day already planned to come into operation in April.

It is believed, however, that the exact volume may depend on commitments from the three majors to purchase refined products in future.

Sheikh Ali Khalifa al Sabah, Kuwaiti Minister of Oil, said recently that volumes would depend "on what they can bring us."

He did not elaborate, but emphasised Kuwait's *plans to* expand its refining capacity by 1984 to process half of the State's crude oil production—at the new rate of 1.5m barrels a day.

BP, Shell and Gulf have been buying about 1.3m b/d from Kuwait under long-term contracts. Those of BP and Gulf expire at the end of March while Shell's runs out in the autumn.

BP's liftings have amounted to about 450,000 b/d, or roughly 15 per cent of its total crude supplies of some 3m b/d. Shell has been taking 360,000 b/d and has had an option to buy an extra 45,000 b/d—meaning that Kuwait has provided about 10 per cent of its crude supplies.

BP said last night that a number of its representatives were in Kuwait and negotiation over the renewal of the contract were continuing.

It is thought that the present proposals could cut the amount of oil BP obtains on contract from Kuwait to less than 180,000 b/d—a reduction of more than 50 per cent. But much of the lost oil might be available to BP through the European spot market, provided the group was prepared to pay the higher prices demanded.

Kuwait admits to have been selling about 5 per cent of its production on the spot market, but the true level is believed by some well-informed observers to be larger.

Shell refused to comment on Kuwait's plans to cut contract supplies.

Kuwait's plans to reduce total production and to divert oil away from the majors is unlikely to create oil shortages in Europe. Nor is it likely that Shell and BP will put up the prices of their petrol and other oil products as a result.

Cheap U.S. chemicals hit European manufacturers

BY SUE CAMERON, CHEMICALS CORRESPONDENT

EUROPEAN chemical producers are being hit "very substantially" by cheap imports from the U.S. which are undercutting UK and Continental producers' prices. Some are now claiming there is evidence for bringing an anti-dumping case against the U.S. over styrene imports.

Among the European companies now under pressure from low-priced U.S. imports are the Shell International chemical group, BP Chemicals, Gulf Chemicals and Monsanto—both U.S.-based themselves—and the French-based Ato Chimie, which says its styrene business has been so badly affected it has had to cut back production.

The UK-based Imperial Chemical Industries says its sales of polypropylene are down and partly blames cheap U.S. imports of acrylonitrile, which is made from polypropylene and is itself used in fibre manufacture.

There is understood to be growing pressure on the Council of European Chemical Manufacturers' Associations—CEFIC—to initiate some form of action. CEFIC is now believed to be arranging a March meeting to discuss cut-price styrene imports.

But European chemical producers, who claim that low-priced U.S. imports are largely based on America's "unfairly" cheap Government-controlled

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OVERSEAS NEWS

Iran bank chief expected to take over oil ministry

BY SIMON HENDERSON IN TEHRAN

Mr. Alireza Nowhari, the 32-year-old governor of the Iranian central bank, is expected to become Oil Minister soon in what is interpreted as a move by President Bani-Sadr to implement further his radical economic ideas.

There has been no official announcement but a Tehran newspaper has reported it as being under consideration in the ruling Revolutionary Council. An official at the National Iranian Oil Company yesterday described it as "a certainty."

Mr. Nowhari, a close associate of Mr. Bani-Sadr, would replace Mr. Ali Akbhor Moinfar who, in the changing political conditions of revolutionary Iran, has less influence. Although Iran's oil output is only about half what it was compared during the Shah's régime, the Oil Minister occupies a very senior position and is responsible for annual revenues exceeding $20bn.

As Central Bank Governor, Mr. Nowhari has orchestrated Iran's response to the freezing of its assets by the U.S.

Mr. Nowhari, who attended last week's Organisation of Petroleum Exporting long-term planning conference in London, was one of the intellectuals in the unofficial "think tank" set up by Mr. Bani-Sadr after last year's revolution.

Unpublished official figures in Teheran indicate that Iran's oil production has fallen in the last week to 2.4m barrels a day from previous levels of 3m to 3.5m b/d. Low spot market prices, unspecified internal difficulties and pipeline sabotage by Arab separatists are said to be the reasons.

Meanwhile differing views in Iran and the U.S. on the mechanism which could lead to the end of the hostage crisis were thrown into further confusion at the weekend when Ayatollah Khomeini said it would be up to Iran's General Assembly, which has still to be elected, to decide on the hostages' freedom.

The statement, broadcast on Saturday as members of the five-man United Nations commission of inquiry into the Shah's rule were on their way to Tehran, seemed to throw doubt on the whole purpose of the mission. It would no longer have, as Washington wishes, any role to play in freeing the hostages. The commission has met President Bani-Sadr and Mr. Sadegh Qotbzadeh, the Foreign Minister, but little more than arrangements for the rest of the visit appears to have been discussed. The commission is expected to be in Iran for two weeks.

Ayatollah Khomeini's words mean that it could be mid-April before the 50 hostages detained at the U.S. embassy are released.

David Buchan reports from Washington: Iran's UN envoy denied on U.S. television yesterday that Ayatollah Khomeini had gone back on a "deal" linking the UN commission with the release of the hostages.

Mr. Mansour Farhang maintained that there was still "a logical relationship" between the work of the tribunal and the hostages' freedom. He explained the Ayatollah's statement as a clever bridging of the clash of views between President Bani-Sadr and the militants holding the hostages.

Publicly, the Carter Administration has kept quiet, but in private it is expressing dismay at the new prospect.

Salvador coup warning by U.S.

WASHINGTON — A warning that a coup appeared imminent in the central American republic of El Salvador and that such action could lead to the cutting off of $60m in planned aid was given by the State Department in Washington yesterday.

Officials said the overthrow of the ruling civilian-military junta could bring widespread bloodshed and chaos to the country and political instability to the surrounding region.

The broader concern, they said, was that Marxist forces would eventually benefit from anarchy in El Salvador and threaten neighbouring Guatemala and Honduras.

The ruling junta overthrew the military government of General Carlos Humberto Romero last October to check what seemed to be a slide into open political warfare. But several left-wing groups rejected as inadequate the junta's proposed reforms which include the eventual nationalisation of banks and foreign trade.
Reuter

Hugh O'Shaughnessy writes: El Salvador was plunged further into political turmoil at the weekend, after the murder early on Saturday of Sr. Mario Zamora, a leading member of the Christian Democratic Party, which is partnered with the military in the ruling junta.

As the Christian Democrats met yesterday in emergency session in San Salvador, reports circulated that they would withdraw from the junta, thus depriving the military of its only overt civilian support. The way would then be open, according to leading Salvadorian politicians for a coup by right-wing extremists, who have been increasingly worried by the growing strength of the Left.

In Washington where the Salvadorian situation is seen as only slightly less worrying than events in Afghanistan and Iran, opposition is growing in Congress to the Administration's decision to supply new arms to the Salvadorian military.

Gwelo print-works bomb kills 2

BY MICHAEL HOLMAN IN GWELO

A BOMB wrecked a mission printing works on the outskirts of Gwelo yesterday killing two people only hours before Mr. Joshua Nkomo arrived to address the concluding rally of his election campaign.

The explosion was "quite clearly the work of the Selous Scouts," a crack Rhodesian commando unit, Mr. Nkomo angrily told journalists.

Despite the blast, the Patriotic Front leader went on to address an enthusiastic crowd of 20,000 in Gwelo's Ascot township. He heads the list of PF candidates for the 12 seats in this Midlands electoral region. His officials acknowledge that the party must take half the Midlands seats if the PF is to win more than 25 of the 80 black seats in the new National Assembly.

Observers expect that most of the 16 seats in Matabeleland, the Ndebele stronghold of Mr. Nkomo, will go to the PF. But in Midlands, Manicaland and all three Mashonaland constituencies, the party faces strong challenges from Mr. Robert Mugabe's ZANU (PF) in particular and Bishop Abel Muzorewa's United African National Council.

Yesterday's explosion devastated the presses of Moto, a Catholic weekly newspaper with an 18,000 circulation, largely among Africans. The newspaper had resumed publication last month after being banned in 1974.

One of the two killed in the blast was white, but so far, identification is impossible. Staff of Moto suspect the two were killed while setting the bomb.

At his Press conference, Mr. Nkomo launched his "Blueprint for the New Zimbabwe." He repeated his pledge to integrate members of ZIPRA and ZANLA, the two guerrilla armies, and the Rhodesian forces "into a national army."

Bridget Bloom writes from Salisbury: The first tentative steps towards integration of the rival guerrilla and Rhodesian armies is expected to be announced in Salisbury today. The move is understood to involve less than 1,000 men from ZIPRA and ZANLA, as well as some Rhodesian troops, who will initially be trained and housed close to each other.

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THE AFGHANISTAN CRISIS

Kabul's challenge to Moscow

BY DAVID HOUSEGO, RECENTLY IN KABUL

THE SWELLING volume of protest against the Russian occupation of Afghanistan, which has effectively brought Kabul to a halt, is no more likely to subside than did the street agitation against the Shah.

Kabulis have been muttering their hatred of the Russians at every corner since the Soviet invasion—and more vociferously since it became clear the Russians had arrived in strength and were there to stay.

In shutting shops throughout the capital, they have found a more effective way of demonstrating their unity and humiliating the occupying force than sniping at traffic or blowing up Government buildings in the provinces.

CHANCELLOR Helmut Schmidt of West Germany has said that the Afghan crisis could lead to the emergence of a more stable balance of power between East and West, despite present difficulties, Jonathan Carr reports from Bonn. Herr Schmidt stressed in a speech in Stuttgart that a policy of "carefully considered reason" was needed above all. This should avoid the dangers both of appeasement and over-reaction. Bonn clearly believes that Moscow may have seriously miscalculated the reaction to its intervention in Afghanistan and is now looking for ways of withdrawing without losing face. Further efforts to co-ordinate the West's response will be made in talks in Bonn with the Italian Foreign Minister today and Lord Carrington, the British Foreign Secretary, tomorrow. Herr Schmidt is due to visit Washington next week.

The Russians were certainly expecting increased guerrilla activity in the spring as the Mujaheddin — the loosely-organised bands of Islamic militants and tribal bandits—roamed more freely over the hills to strike at Government targets.

But in the last resort, provided they could keep the main trunk roads open for a few hours a day to supply their military garrisons in the key towns, the Russians felt they could live with a high level of insurgency.

But mass civil disobedience cannot be met by an increase in firepower. As the Russians have rolled more armour into Afghanistan, so the bazaars have been closed, from Herat to Kandahar, and now in Kabul.

The Russians face a continuing risk from such resistance—that the awesome impression of strength created by their invasion, which has inevitably enhanced their leverage in the region, will be replaced by a damaging image abroad of vacciation and weakness.

In addition to the growing insurgency in the provinces, the events in Kabul confront the Russians with their most serious challenge since they marched into the country two months ago. An ominous and persistent note in the propaganda from Moscow and Radio Kabul is that their present troubles spring from the support being given to the resistance by "the Imperialists," and Pakistan in particular.

This is certainly a gross exaggeration. But the military régime of President Zia-ul Haq fears that the Russians would use this as an excuse to strike across the border.

It cannot be excluded that the Russians will try to widen the conflict. By doing this, they would seek to distract attention from their own problems and demonstrate to the U.S. through revealing the fragility of Pakistan and Iran, that the American have an interest in a settlement that leaves the Russians in effective control of Afghanistan.

All the options now open to the Russians have serious drawbacks. Replacing Bahrak Karmal with another Afghan head of Government would do little to improve the régime's popularity. The hostility on the streets is against the Russians.

Encouraging the Afghan army to pursue the insurgents into the hills, while Russian troops remain in their fortified garrisons, looks an increasingly dubious strategy. The Afghan army is melting away, though probably taking little equipment with them.

Moving onto the offensive in such mountainous country is an unattractive possibility for the Russians. At a minimum, it would mean doubling the 80,000 troops they have in Afghanistan at present.

U.S. State Department officials have been gloating in recent briefings that the Russians could be drawn into a Vietnam-type war—one which could involve them in immense loss of prestige both internationally and among Moslems in Soviet Central Asia and the Middle East.

But if such parallels are to be invoked, it is worth recalling that the Americans tried to solve their problems by carrying the Vietnam war into neighbouring Cambodia.

The Russians are not, of course, going to trigger a nuclear conflict with the U.S. by driving their tanks deeply into Pakistan or down to the Gulf. But there are options short of that.

The fear in Islamabad is of a strike at a refugee camp in Pakistan or of "hot pursit" of insurgents across the border. Pakistan'a Army is too poorly trained and equipped to cope with such an eventuality.

Under Gen. Zia, the army has become increasingly involved in the day-to-day administration of Pakistan and grown increasingly unpopular.

Should it falter in such a limited engagement, the blow to the army's prestige could well topple Gen. Zia's régime.

In Pakistani Baluchistan, the Russians already have a strong body of "support" from "nationalists" who have persuaded themselves that Russian rule is preferable to General Zia's.

If the Russians were to encourage this opposition—and the Baluchis have been impressed by Russian power—Gen. Zia might feel the need to crush it militarily, as the Pakistan army has attempted to do in the past. But the result could be to weaken Pakistan further.

Iran's vulnerability to Russian pressure has grown under the Khomeini régime, with its tenuous control over the provinces and with a Russian army on Iran's eastern border. This weakness makes it difficult for Iran to resist Soviet bullying, whether over territory or the allocation of oil supplies.

But none of this pressure would solve Russia's difficulties in Afghanistan.

If the Russians judge they have a long struggle ahead in Afghanistan, then they would have little to lose by shifting the focus over the border, where the prizes are greater and the ground easier.

This would also strengthen their position to press for a regional settlement in which, in return for holding back in Pakistan and Iran, they would be left in control of Afghanistan. Any such understanding would be a devastating blow to the Afghans, in a civil disobedience campaign. But it is a blow that would suit the Russians.

South Africa reports trade surplus of $939m

BY QUENTIN PEEL IN JOHANNESBURG

SOUTH AFRICA had a favourable trade balance of R761.3m ($938.9m) in January thanks largely to the soaring gold price, according to the latest trade figures. For the first time the statistics give a relatively complete picture of South Africa's trade, by including bullion sales and purchases of oil and military equipment.

The figures produced by the Department of Customs, and still liable to considerable error, give some indication of the impact which the gold price can have on the South African balance of payments. With last year's current account surplus expected to total well over R3bn ($3.7bn) when figures are released in March, South Africa could turn in an even larger surplus in 1980.

Previous figures issued by the Department of Customs were virtually meaningless, because of important exclusions and notorious inaccuracy. The latest figures show exports of just under R1.7bn and imports of nearly R940m for January, compared with non-gold exports of R976m and imports of R730m in January, 1979.

After making allowance for the usual deficit on invisibles, the latest monthly figure would produce a current account surplus of R590m, an annual surplus of more than R7bn.

In spite of the improved accuracy of the new system of reporting, it will be far more difficult to estimate South Africa's strategic imports of oil and military equipment. Previously this could be done by subtracting the Customs figures from the quarterly reserve bank figures, which included both items.

Among items which are categorised, base metal exports showed a 28 per cent increase from January 1979, from R116.4m to R149.3m. Precious metal exports, including *platinum and Kruggerand sales*, but not bullion, rose from R160.4m to R258.4m.

On a rough calculation, oil and defence imports added about R300m to the latest monthly import bill, because the avearge monthly import bill for the last three months of 1979 was R647m (excluding oil and military hardware), whereas it rose to January's R940m when those items were included.

U.S. opposes Soviet bid to change patent rules

BY BRIJ KHINDARIA IN GENEVA

THE UNITED STATES has rejected Soviet and Third World demand for far-reaching changes to the long-standing international system of patents and trademarks used mainly by Western countries to protect inventors against piracy of their creation.

The disputes emerged at a major conference here to revise the Paris Convention on industrial property which governs the international use of patents in all areas of industrial technology. The five-week conference ends March 4.

The conference has reached stalemate over whether decisions should be taken unanimously as demanded by the U.S. or by majority as sought by Third World participants, who last week threatened to walk out.

The U.S. has also turned down other Soviet and Third World demands on the convention's substantive elements, but serious negotiations have not yet begun because of the wrangle over voting procedures.

Under the Convention, whose latest version was agreed at Stockholm in 1967, a patent not only grants exclusive use of the patented technology for a certain period of time but also provides legal protection against unauthorised use and use without payment agreed to by the owner.

The most important developing country demand concerns the convention's Article 5A. Developing countries want freedom to forcibly give the right to use technology protected by a patent to someone other than the owner if he does not operate the process for three years. The patent may be revoked if it is not operated for two years after the "non-voluntary" licence has been granted.

The convention, in its existing form, allows complete protection to the owner of a patent against unauthorised use even if he does not, himself, operate the patented technology. He may, however, voluntarily licence someone else to use it in return for a fee and regular royalties.

The West's main dispute with the Soviet Union and its Eastern allies arises from their insistence that they will grant investors certificates instead of patents in such major sectors such as electronics, petrochemicals, pharmaceuticals and heavy engineering.

In contrast with patents, inventors' certificates do not give the holder the right to decide to whom he will sell his invention, at what price and for how long. These decisions are taken by the state which simply gives the owner some financial compensation.

The Soviet Union, which is poor in technology, is trying to use the system of investors' certificates to circumvent the obligations imposed by patents.

For the U.S. and its European supporters the key issue is to ensure that patented technology gets as much protection in the Third World and Eastern Europe as in the West.

Lockheed orders cancelled

BY JIMMY BURNS IN LISBON

AIR PORTUGAL, Portugal's national airline, has halted conditional orders worth $300m for five Lockheed TriStar 1011's, which were to have been signed this week.

The Portuguese Government withdrew its approval of the purchase over the weekend on the grounds that the airline's weak financial situation did not justify a major fleet expansion at this stage. Air Portugal's new management has been given 60 days to present a financial restructuring scheme capable of putting the airline's estimated losses of Es 1.2bn (£11m) in 1979 firmly into the black within the next five years.

The Government's decision is a serious blow to Air Portugal, which has been negotiating the financing of the Lockheed deal for over six months. An Air Portugal spokesman said that this would have been covered largely by a syndicated loan headed by Chase Manhattan and National Westminster Bank, as well as special credits from the U.S. Export-Import Bank.

The Government had been expected to give the loan package its mandate at the beginning of this week.

The expansion programme which envisaged the eventual purchase of up to 16 wide-body aircraft to bolster Air Portugal's international fleet, formed part of a recovery programme finalised early in 1979 by the company's management.

The Government however feels that the scheme needs to be revised in the light of recent developments. The troubled airline incurred considerable losses at the end of last year from a week-long strike by its pilots during the peak Christmas period, and in the recent Portuguese air controllers' strike.

The Government is preparing a tough budget for 1980 which is expected to involve strict curbs on subsidies to the public sector. This weekend it claimed that Air Portugal's original scheme would have involved a considerable injection of new capital, largely in the form of direct state subsidies.

The Government indicated, however, that the future recovery plan should include increases in tariffs and settlement of an estimated Es 1.4bn (£12.8m) in decreasing losses and unreliable assets

World Economic Indicators

FOREIGN EXCHANGE RESERVES
(Millions of U.S.$)

	Dec. '79	Nov. '79	Oct. '79	Dec. '78
UK	18,592	18,132	17,927	15,486
U.S.	3,788	4,122	2,903	4,374
Germany	47,312	44,086	47,284	42,376
Italy	17,258	17,427	17,760	10,499
Holland	6,469	6,385	6,463	3,947
Belgium	4,097	4,899	4,808	2,637
Japan	16,357	16,215	19,339	28,896
France	16,100	15,197	15,053	8,305

Source: International Monetary Fund

W. Germany considers Soviet credit limit

By Roger Boyes in Bonn

The U.S. and West Germany have been discussing the possibility of limiting Bonn's export credit guarantees for trade with the Soviet Union. But Bonn appears to be opposed to any radical change of the guarantee system, fearing it would destroy German business with Moscow.

The subject was raised during talks between Count Otto Lambsdorff, the West German Economics Minister, and various senior U.S. officials during a visit to Washington. The State is normally prepared to guarantee export credits for West German companies through the Hermes Insurance concern, providing it is satisfied about the political and commercial risks involved.

Count Lambsdorff, according to West German Press reports from New York, said that "Americans believe that one should simply drop export credit guarantees." The Minister stressed that this would destroy Germany's export position with the Soviet Union overnight.

Economics Ministry officials made clear at the weekend that it has been "business as usual" as far as German trade with the Soviets was concerned, and that there have been no snags with export guarantees.

URBAN TRANSPORT IN ASIA

Singapore's commuters ready to take to mass transit

BY KATHRYN DAVIES IN SINGAPORE

THE Singapore Government has announced plans to establish a statutory board to prepare financing and development strategy for Singapore's embryonic Mass Rapid Transit (MRT) system.

Evaluation of the MRT system began eight years ago with studies commissioned by the World Bank on behalf of the UN development programme. But despite the technical feasibility of such a scheme, Singapore has been reluctant to commit itself to the substantial capital investment involved.

The formation of the board, however, brings a go-ahead decision nearer, and this is expected to be made later this year following preliminary engineering design, now in its final stages.

The British consultancy group undertaking the study is Mott, Hay and Anderson Overseas, in association with Halcrow International Partnership and London Transport International Services.

The urban transportation scheme is described as one of the most ambitious in all South-East Asia and is being compared with the recently opened Hong Kong transportation system.

Singapore's MRT system would link the city's central district with three new towns in the west, east and north-ends of the city state, where commuters at present frequently face formidable problems in getting to work.

There would be 31 stations along the proposed railway line of 31 miles, 11 of which would be constructed underground. The system would be physically placed within less than a mile of some 50 per cent of Singapore's population of 2.3m.

Neither the Government nor Mott Hay and Anderson want to speculate about the total cost of the railway. But informed officials put the figure at $1bn-$1.5bn. They point out that the first stage of Hong Kong's recently opened system was 10 miles long and cost $1.16bn—although Hong Kong's more crowded environment might have made the implementation of its design more expensive.

At the same time Hong Kong planners had a better-defined pattern of travel to consider than is the case in Singapore, where the tendency for communities to live and work in disparate parts of the city makes transport rationalisation difficult.

Some 75 per cent of the value of the project would be taken up by civil engineering contracts, while electrical and mechanical contracts for track, signalling, rolling stock, control equipment and telecommunications would make up much of the balance.

Singapore has not specified how it would finance the MRT investment, but a delegation from the Ministry of Finance is to go to Hong Kong soon presumably to hear from the authorities there about the variety of methods they have used for financing.

Apart from the cost the Government here is concerned about the possibility that the Republic's drive to upgrade its economy could be jeopardised by a loss of skilled manpower from new high-technology industries to the mass transport project. It is apparently partly for this reason, as well as the need to spread the capital load, that planners are likely to recommend a ten-year period for the completion of the proposed railway.

Serious doubts remain within Singapore about the MRT. One minister has described it as "a necessary evil" and the Government would still prefer to find alternative methods of improving the Republic's transport system. However severe measures to restrict the use of private cars in the business district during the morning rush hour and prohibiting purchase taxes on new cars have not seemingly deterred many Singaporeans from private car ownership. There are currently 300,000 cars on the road, and a further 2,000 new cars are being registered every month.

It is clear, also, that existing bus and taxi fleets are simply not meeting demand—particularly from commuters who live in the high-rise blocks which make up Singapore's new towns.

The Government says it will make its decision known after the engineering study is delivered in June.

U.S. group backs hotels

BY GEORGIE LEE IN SINGAPORE

THE NEWLY-FORMED Marina Centre Holdings has signed an agreement with Singapore's urban renewal authority to commence development of a massive hotel-shopping complex costing between S$600-S$700m (£700m).

The complex which will comprise three hotels and a shopping centre, will sit on reclaimed land adjacent to the existing central business district of Singapore.

Chief promoter and co-sponsor of the project is the major Singapore property developer, Singapore Land, while the American architectural group, John Portman and Asociates of Georgia, is the other co-sponsor. Singapore Land will act as development manager for the project while the American company will act as the project's design consultant.

WORLD SHIPPING REPORT

Russians return as force in grain trades

BY WILLIAM HALL, SHIPPING CORRESPONDENT

MUCH TO the surprise of many shipping brokers the Russians have reappeared as a major force in the grain trades only seven weeks after the Americans imposed their embargo on grain sales to the USSR.

Last week they were busy chartering ships of between 25,000 dwt and 50,000 dwt to transport grain from Argentina, and in the Far East they were looking for similar ships for trips between Australia and the Black Sea.

The reappearance of the Soviets, traditionally big charterers of grain tonnage, has given the dry cargo markets a welcome fillip. The key grain rate, for 50,000-tonners between the U.S. Gulf and Europe, moved up by 50 cents to $15.75 per ton. There has also been plenty of activity in the period time charter market—an indication that charterers want to tie up tonnage before rates rise further. Currently, a 27,000-dwt bulk carrier is commanding around $7,500 per day for one-year charters, and there is talk of inquiries for two-year charters.

Nevertheless, over the medium-term, there is not a concensus view about the direction of rates in the dry cargo markets.

In the tanker market the amount of idle tonnage in the Arabian Gulf continues to build up. John I. Jacobs, the shipbrokers, estimates that there are nearly 30 Very Large Crude Carriers (VLCC) (equivalent to about 7.5m tons of oil) waiting for cargoes in the Gulf at present. The going rate for VLCCs on the standard voyage Gulf/westwards is now standing at worldscale 29.50.

It is expected that some owners will soon start fixing cargoes at these depressed rates so that they can get their ships back to Europe where they will be laid-up until the market improves.

HK companies in China deal

By Anthony Rowley in Hong Kong

A VISITING municipal delegation from Canton has signed a preliminary agreement with six companies here to build a HK$300m (£26.5m) hotel in Canton, a delegation official said.

The partners in the scheme are Sun Hung Kai Securities, Sun Hung Kai Properties, New World Development, Cheung Kong Holdings, Hopewell Holdings and Hendersons Development.

The project is for a 1,000-room hotel, and the Canton municipality will provide a 200,000 sq ft site

UK NEWS

Radar order likely to be awarded abroad

BY GUY DE JONQUIERES

A CONTRACT for between £10m-£20m-worth of air-traffic control equipment to be supplied to the Civil Aviation Authority seems certain to be awarded to a non-British manufacturer.

For, although no official announcement has been made, the CAA is understood to have decided against the joint bid by Plessey and GEC-Marconi, on the grounds of cost and because the system proposed by the two British companies is still under development.

The Department of Industry and the Ministry of Defence have offered to support further development of the Plessey-Marconi project but the CAA apparently believes there would be too many risks involved in choosing an unproven system.

The CAA is understood to be deciding between other bids submitted. One is by Westinghouse of the U.S., the other by Signaal, a subsidiary of the Dutch Philips group. Both companies have systems in operation.

The CAA wants 10 radar units for air-traffic control in Eastern and South-Eastern England. These would be installed by 1984 and, though primarily intended for civil air-traffic control, would be tied into the air-defence network.

In spite of the limited size of the contract, it is understood to have been the subject of intense behind-the-scenes discussions in Whitehall.

Last month Mr. Frank Chorley, managing director of Plessey Electronic Systems, said that if the joint Plessey-Marconi bid was not accepted, the credibility of their whole overseas sales activities would be undermined. Potential export orders worth more than £200m would be put at risk.

He said that even though Plessey did not plan to market the civil radar system abroad in the immediate future, its rejection by the CAA would raise doubts in foreign buyers' minds about whether British authorities had confidence in the company's products.

Mr. Chorley appeared then to believe Westinghouse was front-runner for the order. Since, there have been suggestions that the CAA may be looking with renewed interest at the bid by Signaal.

The CAA made no comment on the contract, beyond saying that a final decision is expected next month.

DAVID MARSH LOOKS AT THE BANK'S ACTIVITIES IN THE COIN MARKET

Soaring value of the sovereign business

WHEN MR. ENOCH POWELL e fortnight ago advised the Government to sell Britain's gold reserves to help reduce public sector borrowing, neither the Treasury nor the Bank of England seemed to take the suggestion very seriously.

Central banks the world over are showing themselves highly reluctant to part with their gold holdings despite the explosion in the hullion price. But, a less dramatic version of Mr. Powell'a proposal is alreedy being put into practice in the UK.

Although the physical volume of Britain's gold holdings has been bardly changed since the start of the 1970s, some of the gold stocks are constantly being sold and replenished as part of the Bank of England's involvement in the production of gold sovereigns—an operation which brings significant benefits for the halaoce of payments.

The Bank participates in three key stages of the sovereign husiness. First, it supplies gold from the reserves to the Royal Mint, which turns ont tho coins. It also channels newly-minted sovereigns on to the bullion market via banks and bullion bouses, selling them at a premium—which varies according to market conditions—over the value of their bullion cootent of about ¼ oz of gold.

And in order to keep the level of the UK's gold holdings steady, the Bank is constantly in tho bullion market as a buyer to replace gold sold off in the form of sovereigns.

Official details of Britain's sovereign manufacturing business are fairly sketchy, but according to reliable reports from the trade, coin production bas undergone something of a hoom in the past three years. The Bank of England is believed to have sold between 4m end 5m last year, well up on 1978, with demand picking up particulerly during tho large rise in the gold price in the second half of the year.

The value of tha business has also risen steeply, with Queen Elizabeth sovereigns selling at e peak of over £90 dnring the January price rush — up from £30 at the beginning of 1979.

The price has since come down to abont £72 as a result of the drop in the bullion price in the past four weeks and large-scale selling by coin investors.

Since the Bank normally buys in gold for the reserves at about tha same basic price at which it sells sovereigns, the profit margin boils down to the premium over the gold content price with a small deduction for manufacturing costs (less than £1 per coin).

The premium has been depressed by this month's burst of selling but has normally worked out at £7 to £10 in recent months—about 10 per cent.

UK buying bas increased substantially since restrictions on ownership and trading of coins were abolished last summer, but most new sovereign issues are still sold abroad. This probably benefited the balance of payments to the tune of £30m to £40m last year.

The premium on newly issued coins has fallen considerably in percentage terms compared with about 18 months ago, partly becauso of competition from other popular coins like Krugerrands, where the premium over the gold content is much smaller.

The Government's profit has probably risen, however, because of tho larger number of coins sold, as well as the increase in the metal price. Recently, the wild gyrations on the gold market may have brought a further modest benefit.

Although the Bank avoids risky open positions in its two-way participation on the market, there has been at least an opportunity for it to make trading profits by replenishing its gold stocks at a lower price than that at which it sells.

Titan bus manufacture may be switched to Workington

BY KENNETH GOODING

LEYLAND VEHICLES is likely to transfer production of its Titan double-decker bus to Workington, in Cumbria.

The move would involve substantial expansion of the Workington plant, which Leyland owns jointly with the National Bus Company, and generate several hundred new jobs.

It will be some weeks before Leyland completes all negotiations but it is believed the company has reached agreement with the Workington workforce.

The Titan is being produced at Park Royal, North London. Leyland decided that that plant should close in June this year because it could not agree production targets with the workforce.

Leyland originally intended to shift production to Lowestoft, another plant owned by Bus Manufacturers Holdings, the joint National Bus-Leyland company.

But 500 skilled workers at Lowestoft objected to planned recruitment of 300 unskilled people for the Titan project. It was reported that skilled employees would have accepted the newcomers if a once and for all bonus of £5,000 per man had been paid.

Leyland is determined to continue production of the Titan in spite of these setbacks and Workington is the obvious next place to which the company may turn. The majority of the workforce is semi-skilled, having been recruited from the area's declining industries. Under the original programme, Workington would have been making underframes for the double-decker.

London Transport intends to buy about 2,000 buses between 1981-84 inclusive, and has said that if Leyland can supply Titans it will get part of this business, the other part being supplied by Metropolitan Cammell's Metro bus.

Trinity House orders £9m ship from Robb Caledon

TRINITY HOUSE is to order its new £9m flagship from Robb Caledon of Leith, Scotland, after tendering worldwide.

The 260 ft-long ship will service the 800 buoys maintained by Trinity House around the coast of Britain and take stores to offshore lighthouses and light-vessels. It will also accommodate board members of Trinity House for regular inspections of sea marks.

The ship will be diesel electric powered with a service speed of 14 knots and will have a helipad.

British Shipbuilders said the order meant a lot for the employment prospects of Robb Caledon's work force. "There was strong European competition notably from the Germans and the Dutch and a number of our own yards were quoting against each other," it said.

The new vessel will replace the Patricia, built in 1938 by Smith Dock, and was a pioneer in the use of diesel electric propulsion.

The Patricia has on many occasions exercised the Corporation's traditional privilege of preceding the Royal Yacht in pilotage waters, the last time being during the Silver Jubilee Review of the fleet in June, 1977.

The Patricia was one of only two vessels which had participated in both the 1977 review and in the 1953 Coronation Review, the other being HMS Reclaim.

Reliant launches convertible

RELIANT, the Midlands specialist car company, has launched a convertible open-top Scimitar.

The Reliant GTC, costing £11,360, is one of seven convertibles on the market.

Coal Board spends £50m on Selby pit project

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE NATIONAL Coal Board has in recent months placed orders worth more than £50m for the new Selby coalfield in North Yorkshire.

The latest, worth £8.5m, has gone to Adamson Butterley, the bulk materials handling manufacturer, which will be supplying coal handling equipment for the Gascoigne Wood drift mine.

The contract includes high-speed coal conveyors, specially designed feed hoppers at conveyor junctions, a coal and stone loading station and the housing and steel structure for a coal bunker.

Gascoigne Wood is to handle all the coal produced by the five other mines being sunk into the Selby field. It will be brought to Gascoigne Wood on conveyors along a network of underground tunnels which reach the surface through two drifts, or incline shafts.

The Selby development, the NCB's largest single investment project, is expected to cost £600m at 1980 prices of which £254m has already been committed.

Production from the first mine is expected to start in late 1982. By the end of the decade, Selby should be producing its maximum rate of 10m tonnes a year.

A £3m contract to supply a full-faced tunnelling machine for the development of Selby's underground roadway network was recently awarded to the Robbins Company of the U.S. Its British agent is Babcock Construction.

Three major civil engineering contracts have also been let in recent months. French Kier Construction has won an £18.5m order for the main Gascoigne Wood civil engineering works, which are due for completion by July 1982. This will include extensive railway sidings and roads, a bridge, landscaping, and a large reinforced concrete surge bunker.

Fairclough Building's north-east division is to build an £11m pithead complex at Riccal mine, including a steel-framed amenity block and two 100 foot winding towers. Dowsett Engineering Construction has a £9.5m contract for similar work at the Stillingfleet mine.

The main civil engineering contracts at two pits—North Selby and Whitemoor—have yet to be awarded. Work at the sixth Selby site, Wistow, is now well advanced.

Westinghouse Brake and Signal, a Hawker Siddeley company, was recently awarded a £2.75m contract to supply remote control and monitoring equipment for a major part of the project.

The equipment will enable a few men using visual display units to monitor and control from the surface the underground bunker clearance system which consists of a network of conveyors and bunkers designed to ensure a smooth flow of coal.

Pubs say clubs are taking over

THE NATIONAL Union of Licensed Victuallers is to ask the Home Office to consider pub-stylo restrictions on the 30,000 working men's and similar clubs which, it claims, could mean tho closure of some 5,000 pubs in England and Wales by 1985.

The Union says pubs cannot match beer prices—up to 15p a pint cheaper—or the £50-£200 jackpots on gaming machines in the non-profit clubs.

It blames brewers' marketing policies and the 1968 Gaming Act limit of a £1 maximum payout on pub fruit machines.

Mr. John Watson, Conservative MP for Skipton, is to ask Mr. William Whitelaw, the Home Secretary, in the Commons to consider ways of giving pubs and clubs equality.

Working men's clubs have almost doubled in number *since the War from 17,000* to over 30,000. Pubs now account for only 49 per cent of total alcohol sales, compared with 68 per cent in 1960.

North Sea merger for Swedish ferry groups

BY WILLIAM HALL, SHIPPING CORRESPONDENT

TWO OF Sweden's major ferry companies are merging their North Sea operations between Britain and the Continent in a move to reduce over-capecity and improve profitability.

Tor Line and Brostroms Shipping will form a new company—Tor Lloyd—to co-ordinate their North Sea and Baltic oporations. Tor Line, jointly owned by Sweden's Salen and Transatlantic sbipping groups, will own 65 per cent of the new company. Brostroms will own the remainder.

Brostroms' Swedisb Lloyd operation had been losing money and had entered into an agreement with another Swedish gronp, Oden Line, some time ago. The Oden Line is e fairly recent arrival on the North Sea routes and ooe of the major causes of the current over-capecity. At the beginning of this year it was announced thet it bad reached a co-operation agreement with Tor Line. In October 1978 Ellerman Wilson Line, a British operator, merged its Swedisb service with that of Tor Lino.

Including the Baltic services, Tor Lloyd will operate 50 cargo sailings e week. There will be ten sailings from Immingham and Felixstowe to Sweden and Denmark; six sailings between Immingham and Rotterdam; and five sailings to Sweden from Tilbury and Grangemouth.

Tor Lloyd will deploy nine ships on its North See services, of which five are former Tor Line ships, three Oden Line vessels, and Ellerman Wilson's ship, the Cicero. Two older freigbt ferries have been withdrawn and sold.

Consumer centres 'face closure'

A THIRD of Britain's 220 independeot neighbourhood advice centres face cuts in financial support next year, the Advice Services in Crisis working party said at the weekend.

Mr. Phil Gagg, secretary of tbe Federation of Independent Advice Centres, said: "What is especially alarming is that the centres may disappear at a time wben people on low incomes, who make up the bulk of their clients, need them most."

No more pick-and-choose for State industries

MICHAEL LAFFERTY explains the new accounting standard due to be published on March 31.

THE NEW accounting *standard*, SSAP 16, now in process of being ratified by the councils of the accountancy bodies, contains a number of important changes from the draft published last year.

Most significantly, it will cover the eccounts of the nationalised industries, preventing their being able to pick and choose accounting policies as in the past.

The standard is intended for listed and other large companies, which are required to give the necessary current cost accounting information in their accounts for periods starting on or after January 1 this year.

It calls for a current cost profit and loss account; e reconciliation between current cost accounting operating profit and the profit or loss before interest and taxation in the historical accounts; a balance sheet, notes describing the current cost accounting policy, and earnings per share figures for listed companies.

Other important features of SSAP 16 are:

- Companies will have complete freedom to change over to current cost accounting in their main accounts if they wish. They would then have to give certain supplementary figures on traditional, historic cost, basis.
- Two alternative types of profit-and-loss account presentation are included. In one the gearing adjustment is moved "below the line" and shown after "current cost profit after interest and taxation."
- A "statement of retained profits-reserves" is intreduced on to the face of the profit-and-loss account.

It shows retained profit for the year, plus movements in the current cost reserve and movements in other reserves, and ends by comparing retained profits plus reserves at the beginning and end of the year.

- Companies which do not lika the SSAP 16 gearing adjustment, described as "definitive," are encouraged to show their own gearing adjustment in notes to the current cost accounts.
- A new definition of small companies for exclusion from tha standard is adopted, based on the EEC fourth company law directive.

A company is "small" if it meets at least two of the criteria turnover of less than £5m; total assets of less than £2.5m in the historic accounts; average number of employees fewer than 250.

- The Accountancy Standard Committee has refused a request from a group of accepting houses that banks be exempted from the standard. A joint working party will consider the special position of banks, which do not bave to publish "true or fair" accounts.
- Companies can publish "a statment of the change in the shareholders' net equity interest after allowing for the change in the general purchasing power of money."
- A discussion paper is promised soon on putting current cost accounting figures from different years on a comparable basis. They are encouraged to give comparative figures edjusted to e common basis with the year's results, and adjust 5- or 10-year statistical statements similarly.
- Large companies exempt from the standard, such as insurance, property investment and dealing, and investment trust companies, unit trusts, building societies, trade unions and pension funds, are encouraged to implament parts of the standard appropriate to their businesses.

Investment clamp on Scots lorry project

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT has blocked further investment by the Scottish Development Agency in its biggest project, the cross-country truck builder Stonefield Vehicles, which has absorbed £3m.

To keep the company going the agency, Scottish equivalent of the National Enterprise Board, will have to sell all or part of its 76 per cent stake in it. Negotiations are at an advanced stage with one potential purchaser, a U.S. businessman with experience in the motor industry.

He has visited the factory at Cumnock, Ayrshire, and discussed with the agency what type of financial deal might be acceptable. No formal offer has been made. Other possible buyers included two British companies.

The Government recently issued new investment guidelines for the SDA and is keen to see it shed some holdings.

The first disposal under this new policy was last month, when the agency sold control of the plastic moulding manufacturer Braidwood Developments.

Stonefield is viewed by the agency as one of its most promising prospects, but the development of the truck and its acceptance by major potential customers, such as home and foreign armed forces, has taken longer than expected.

The company won orders from public utilities, the RAF and the Greek Government, which wants 150 vehicles. But it has continued to lose. Last year it was £1.3m in the red before tax.

Mr. George Foulkes, Labour MP for South Ayrshire, has been concerned about the future of Stonefield. He will meet Mr. Hugh Jack, the Scottish Development Agency's industry director, today.

Mr. Foulkes said yesterday that he had confidence in the company and its product, and its future should not be put at risk.

Review of consumer councils

By David Churchill, Consumer Affairs Correspondent

THE GOVERNMENT is carrying out a major review of consumer representation in the nationalised industries. It is expected to take several months to complete, and may suggest merging the 43 separate consumer councils into one body for the nationalised industries.

Alternatively, the National Consumer Council could be given extra responsibility for those bodies.

Reducing the number of councils, which cost the Government more than £2m a year to maintain, would require primary legislation.

The review follows the previous Labour Government's proposals to strengthen the councils. This was also recommended by a parliamentary select committee which reported shortly before the last General Election.

Mr. Michael Barnes, chairman of the Electricity Consumers' Council, says in his foreword to the council's annual report, published today: "The case for a strong independent consumer voice in relation to the nationalised industries is overwhelming."

He suggests that the power of the nationalised industries over consumers' lives is not always appreciated: "These industries are enormous enterprises that have grown into great centres of power in ways that those who set them up over 30 years ago may not have intended."

The council's annual report also points out "with concern" the increasing frequency with which the Magnox nuclear power stations are out of service. Of even greater concern, the report adds, is the delay in large power station construction.

'Stick together' call to Tories

BY PHILIP RAWSTORNE

LORD THORNEYCROFT, Conservative Party chairman, calls today on the party's supporters to "stick together . . . while the going is extremely tough."

In a message to local Tory chairmen and agents, he declared: "We have the leadership, the ability and the will to see this through together. There is no way back."

Lord Thorneycroft's rallying call comes as the Government prepares this week to meet the first full censure motion in the Commons on its economic policies against a background of some Cabinet disarray.

He denied that the Cabinet was divided. "A Cabinet facing such a legacy of economic damage, whose members express some compassionate understanding of the problems which confront ordinary men and women in this country, is not a Cabinet divided," Lord Thorneycroft said.

"It is a Cabinet which reflects the historic traditions and humanity of the Conservative approach. It should command respect, not criticism."

He said that Mrs. Thatcher had the solid backing of the party in carrying out the policies on which she was elected.

Mr. James Callaghan, who will lead Labour's attack in the Commons on Thursday, offered no alternative, Lord Thorneycroft added.

The Government was making a start on tackling the country's problems, "and the uproar at the sight of a Government actually doing something about it is of course extremely powerful."

Lord Thorneycroft's message to the party will be reaffirmed by Mrs. Thatcher when she is interviewed on the BBC Panorama programme tonight.

The Prime Minister, who has ruled out early Cabinet changes, will reassert her determination not to be deflected from the course she has laid down.

Some of her closest supporters are gathering renewed optimism from the recent anti-strike votes of car workers and miners.

A private Tory Party poll showing Labour's lead down to 3 per cent is said to reflect a growing change in public attitudes in response to the Government's appeals to face up to economic realities.

Call to end stamp duty on houses

By Joe Rennison

THE ABOLITION of stamp duty on house purchase and the raising of the tax relief ceiling on mortgage interest from £25,000 to £50,000 are called for by the Building Societies' Association in its Budget submissions to the Chancellor.

The ever-increasing price of houses in the seventies has meant that more and more properties come under the stamp duty net. Duty is paid under a sliding scale on all house purchases of £15,000 or more. On £50,000 house, the duty currently comes to £1,000.

The association points out that when the present threshold was set in 1974, only 16 per cent of houses on mortgage cost more than £15,000. Now the proportion is 71 per cent and the amount of duty paid has risen six fold.

The association says the duty is unfair since it affects only owner-occupiers.

In the final three months of last year, for example, only 48 per cent of mortgaged houses in Yorkshire and Humberside attracted the duty whereas in London the figure was 94 per cent.

Mortgage tax relief 'boosts inequalities'

BY DAVID MARSH

THE GOVERNMENT should abolish mortgage interest relief and make other changes to the tax treatment of owner occupiers to ease distortion and inequalities in the present system of housing finance, Professor Mervyn King of Birmingham University and Professor Tony Atkinson of the London School of Economics argue today.

Writing in the Midland Bank Review, they say that the effective cost of housing services to owner occupiers is kept very low, particularly at times of rapid inflation, by the present system of tax subsidies.

Prof. King and Prof. Atkinson say their proposals would release a large amount of revenue which could then be used to reduce general tax rates.

The present situation was inequitable as the cost of accommodation for an owner-occupier fell as his marginal tax rate increased. At a constant level of real interest rates, it also fell as the rate of inflation rose. Both these factors exacerbated fluctuations in house prices.

In contrast, for tenants of local authority housing, accommodation costs tended to rise with income. Additionally, the present system of rent and rate rebates gave rise to a serious pattern of disincentives for low-income workers.

This was because they were in a "poverty trap" under which they found it very difficult to significantly increase their net income by boosting gross earnings, says the article.

The authors suggest that the cost of accommodation for owner occupiers should be made independent of their marginal tax rates and of the rate of inflation.

The appropriate solution would be to introduce a tax on the imputed rental income of owner occupiers, calculated at an appropriate nominal interest rate. Such a tax is in force in other European countries, and a similar levy—Schedule A—operated in the UK until 1963.

It had been argued that this sort of tax would be politically unfeasible but this would depend on whether governments wished to continue treating owner occupiers as sacred cows, the article says.

Abolishing—or at least reducing—mortgage interest relief would move in the same direction. To ease the position of local authority tenants, the authors suggest setting up a national rent pool and reforming rent and rate rebates.

'Flying doctor' service fears

PATIENTS could be put at risk by Medicover, a "flying doctor" service planning to offer home visits at £5 a time, the 25,000-strong general medical services committee of the British Medical Association said. The scheme could undermine medical services to patients, it added. One fear was that the GP and the service could prescribe drugs which were incompatible.

Tax deposit interest rate raised to 16½%

BY DAVID MARSH

THE TREASURY is increasing interest rates on certificates of tax deposit, in line with the recent tightening of UK monetary conditions.

With effect from today, interest on deposits placed with the Inland Revenue in advance of tax payments rise to 16½ per cent, from 16 per cent, returning to the rate ruling until last mid-December.

Interest on deposits withdrawn for cash increases to 13 per cent, from 12½ per cent.

The Treasury said the rise reflected recent movements in securities. Tightness on the interest rates on comparable London money markets over the past few weeks has put upward pressure on the clearing banks' base rates. The City has become increasingly pessimistic about chances of reduction in Minimum Lending Rate before April at least.

The Treasury may find it easier to cut public-sector borrowing next year than has been realised generally, according to stockbrokers L. Messel.

In their weekly market commentary Messel said that unless taxes are reduced, the public-sector borrowing requirement next years is likely to be well under £8bn. This compares with a likely figure for this year of around £9bn.

Around £1.5bn to £2bn in extra revenue next year will flow from North Sea oil, and there will be further revenue increases of £3bn, from VAT payments, nationalised industry price increases, and cuts in Britain's EEC contributions.

If there are to be major tax changes, Messel suggested the best move would be to raise the lowest income tax threshold, rather than to take another 1p off the standard rate.

Local authorities claim cuts are more than 21%

● NEWS ANALYSIS—
HESELTINE'S HOUSING PLANS
BY ANDREW TAYLOR

THE GOVERNMENT'S latest cuts in housing expenditure come with the council house building programme in England already at its lowest level since the last war.

Mr. Michael Heseltine, Environment Secretary was called a "national disaster" by opposition MPs last week when he announced a 21 per cent cut in the money to be allocated for public sector housing in England in 1980/81. For English local authorities the reduction works out at almost a quarter while in Scotland the cuts amount to 20 per cent.

Some local authorities, building companies and housing pressure groups argue that the cuts will be even steeper than the 21 per cent claimed by Mr. Heseltine. To arrive at this figure the Secretary of State has calculated, at constant prices, the difference between estimated public sector housing expenditure of £2.55bn in 1979/80 and the new allocation of £2.02bn for 1980/81.

But local authorities, which account for around four-fifths of total public sector housing, have traditionally underspent their allocations by as much as 28 per cent in 1978/79.

Critics of Mr. Heseltine's arithmetic say that by comparing the allocation of £2.91bn for the current year with the new allocation the reduction in public spending works out at nearer 31 per cent.

For the English local authorities an allocation of £2.4bn for 1979-80 compares with a new allocation of £1.6bn—a fall of just over a third.

It is also thought that Mr. Heseltine has under-estimated projected inflation levels for 1980-81, which has led to an understatement of the effective reduction in spending levels.

The significant level of underspend by local authorities in recent years contrasts with their bitter complaints about successive cutbacks in allocations. It has been argued that more money should not be made available while councils are unable to spend all of their existing allocations.

However, local authorities say that their failure to meet spending targets is the result of "slippage" and management problems rather than a reflection of actual need.

They say it is very difficult to budget for medium and long-term projects when annual allocations are being progressively reduced. Equally delays can easily occur in rehabilitation and improvement programmes as alternative accommodation has to be found for the occupants of the homes involved before work can be carried out. Those problems are exacerbated while operating within an already tight budget.

The table shows how since 1974-75 total annual housing expenditure by the English local authorities will have been cut by almost 60 per cent by the end of the next financial year—even if councils spend all their 1980-81 allocation.

The effect on the new building programme has been dramatic. Last year work on only 47,000 new council homes was started in England compared with 110,000 in 1975.

This, in part, reflects a change in amphasis away from new buildings towards rehabilitation and home improvement work. It is estimated that in 1979-80 around 29 per cent of total local authority housing expenditure will have gone on rehabilitation and improvements. This compares with only 13.5 per cent in 1974-75.

Building material suppliers and housebuilders are now evaluating what impact this will have on their business at a time when the home construction industry as a whole is in retreat.

Companies which rely heavily on public sector spending will be worst affected. Around two-thirds of the business of Crittall Windows, part of the Norcros Group, for example, is generated by the public sector, much of it from local authorities. And Crittall has already been substantially reduced in size through a process of closures and rationalisation, reflecting earlier spending cuts.

The bulk of local authority house building programmes are carried out by private contractors. A much smaller proportion of rehabilitation and home improvements is done by the private sector with many councils preferring to use their own direct labour organisations for this work.

At first glance the cuts in the new construction programme could hardly have come at a worse time for the housebuilding industry which saw UK private sector starts fall from 157,000 in 1978 to 139,000 last year, with a further reduction expected in the current year.

However, in spite of this lower level of activity—part of the 1979 fall can be attributed to bad weather at the beginning of the year—margins on private sector housebuilding have remained reasonable.

Equally the underlying demand for private housing remains very strong and the industry is confident that it can weather a short-term reduction.

Those that will feel the pinch are the contractors and building material suppliers which rely heavily on the public sector.

But worst off will be the people on council house waiting lists—of which there are still more than 1m—and those in homes needing major improvements.

HOUSING EXPENDITURE BY LOCAL AUTHORITIES IN ENGLAND
(At November 1978 prices)

1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Total						
£3.871bn	£3.42bn	£2.953bn	£2.541bn	£2.252bn	£2.1bn*	£1.601bn†

On new council homes

1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
£1.199bn	£1.525bn	£1.596bn	£1.424bn	£1.117bn	£900m*

Improvement and rehabilitation

1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
£521m	£424m	£411m	£416m	£481m	£620m*

Council homes started, in England

1974	1975	1976	1977	1978	1979
95,000	110,000	108,000	81,000	67,000	47,000

* Estimate. † Allocated.

UK NEWS—LABOUR

STEEL STRIKE . . . CHRISTIAN TYLER ON THE NEGOTIATING POSITIONS

In search of the means to an end

THE STEEL strike enters its *ninth week* on Wednesday, with the British Steel Corporation and the major unions seemingly *as far apart* as ever on the fundamental issues. Although the difference between them in *terms* of cash offered and demanded la considerable, it is the means of raising the cash that divides them most *sharply*.

But now, at least the negotiating positions of the two sides have been precisely defined. Exploratory talks on Friday between BSC negotiators and leaders of the Iron and Steel Trades Confederation and National Union of Blastfurnacemen were not exactly encouraging, but both parties will be "final" offer of the BSC, itself the product of about nine drafts.

Put crudely, tbe unions want 20 per cent for *the 15-month* period January 1, 1980 to April 1, 1981. The BSC's last formal offer was 14 per cent for the 12 months from January.

The figures break down in the following way. Tbe unions are asking for a 15 per cent rise, payable from the beginning of next month, in return for an enabling agreement in which a number of concessions are made to greater efficiency. They also want an unconditional 5 per

The ISTC and NUB have drawn up comprehensive proposals in reply to the last and reviewing their positions as the ninth week approaches.

cent, paid weekly from *April* 6, *in* exchange for *giving* tbe go-ahead for a new kind of lump sum *bonus scheme* to be negotiated locally.

Tbe BSC has offered 10 per cent for a much tougher enabling agreement—it values the union version at 8 per cent—and guaranteed another 4 per cent, provided the local deals are actually concluded. (The actual cost to the BSC of the competing proposals are 20.75 per cent and 14.4 per cent because of the compounding effect).

A union amendment to the first clause of BSC's draft well illustrates the clash of views on what the BSC calls the "self-funding principle" to which it is committed.

The BSC says that because of its serious business difficulties there sbould tbis year be "significant pay increases, but these must be financed through improved performance." The unions' amendment says tbey must be financed "as far as possible" through improved performance.

In other words the unions continue to insist that there are other ways of paying (if *only* tbe Government would permit it).

In a *separate statement* on Friday, they listed the otber sources of money, totalling £546m, as follows: £90m from eliminating overtime working; £20m from transferring to the State the cost of the BSC's job creation subsidiary BSC Industries: revising the closure programme to release some of the £290m set aside for severance pay: halving the level of stocks to yield a saving of £40m: and revising downwards by £106m *the budget* of *wage costs* following streamlining already achieved.

BSC costed the unions' demands at around *£250m*.

In general, the unions' counter-proposals accept the need for the kind of efficiency that the BSC wants, but disagrees with the methods of obtaining it outlined by the BSC.

They broadly accept BSC's views on resolution *of* inter-union disputes, commissioning of capital projects, completion of work-measured incentive schemes, some alignment of maintenance and process work (though not a common wage structure), absenteeism, overtime and payment of wages *through bank accounts*. To reduce absenteeism, they suggest national union guidelines and *attendance* bonus.

They reject the BSC's plans for a national trade union body to *monitor* and guide local productivity bargaining, and also reject BSC's efforts to set up national joint bargaining machinery for wages and a common wage structure. But they are prepared for joint ISTC-NUB committees to negotiate productivity locally.

Phrases like "streamlining of manning at ongoing plants" are deleted. The unions prefer to talk about "international manning levels," and "discussions" instead of "commitments." They agree on the "urgent necessity for the restructuring of work at all levels" to this end, but with a different deadline.

They accept, too, the possibility of non-recruitment, and redeployment, hut say it must *be subject to* local negotiation. They entirely rule out BSC's plans for changing or abolishing the guaranteed week agreement, offering instead a working party to discuss the Government's short-time working scheme.

The whole basis of payment for the proposed new bonus schemes is challenged. As explained above, the ISTC and NUB want a 5 per cent enabling payment regardless of whether it is followed through locally. They also say that such bonuses should be payable at department level and above, not at works level only. While agreeing to the three kinds of measurement for such schemes put *forward* by *the* BSC, *they* say other kinds of measurement should be considered.

They want a shorter working week of 39 hours from April, 1981, not January, 1982, as BSC *proposes. They also* want a new minimum rate figure of £65 a week from April 11 compared with the present *£50*. This item, along with provisions for workers under 21, may, however, be negotiable.

Ships' officers dispute

BY OUR LABOUR STAFF

OFFICERS OF two ships in the Esso Petroleum tanker fleet have refused to sail, in protest at company proposals for new working practices.

According to the Merchant Navy and Air Line Officers' Association, men of the "Severn" berthed at Milford Haven decided yesterday to stay ashore following a similar decision on Friday by officers of the "York" berthed at Immingham.

Mr. John Newman, assistant general secretary of the union, said that unless the company came quickly to terms with the union, the action could spread through the 29-vessel Esso UK fleet.

He said the company was proposing manning reductions and new responsibilities, including the transfer of some maintenance work from shore to ship labour.

The union, which supported the action of the two crews, was particularly aggrieved at the company's plans for non-union consultative committees.

Esso said that the "York" was expected to sail last evening, and tbat officers on two other ships, the "Ipswich" and the "Humber," both at Fawley, hanls, had been approached by the union and had refused to take industrial action.

BL heads for more trouble over offer to white-collar staff

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS was heading for more industrial relations trouble last night as Sir Michael Edwardes, the chairman, faced opposition to his pay plans from both white-collar and manual unions.

Negotiations with the four staff unions, representing more than *20,000 workers*, appear to have stumbled at the first hurdle. The unions totally reject demands that any pay increase should be linked with more flexibility in working conditions.

Mr. Grenville Hawley, *national automotive secretary* for the Transport and General Workers' Union, also warned that any attempt to impose different working practices on the 50,0000 manual workers would lead to a shopfloor revolt and a series of strikes.

Meanwhile, staff unions representing white-collar workers are insisting that any increase *should not be part of a total* package and they have given the company time to reconsider its position. Union leaders are furious at the conditions attached to the company pay offer of around 5 per cent.

Sir Michael has made clear his impatience at the deadlock in the manual workers' pay talks which the company believes is creating uncertainty and damaging market performance.

From today, around 23,000 employees will be laid off on short time to try to clear the backlog of unsold stocks. Assembly of Rover saloons at Solihull, and Princess, Maxi and Marina cars at Cowley, will stop for four weeks.

BL has refused to increase *its pay offer of 5 per cent for* manual workers and 10 per cent for craftsmen.

Union negotiators, who have been threatening militant action following rejection of the deal by a 3-2 majority in a ballot of the workforce, are to meet on Friday.

Mr. Hawley was adamant last night that even with the signatures of union leaders, the proposed working practice reforms could not be made effective.

He said: "The company would only be storing up a battleground for the future. As soon as the time and motion men moved on to the shop floor, the trouble would start. We would get strike after strike."

● BL Cars, in the first 21 days of February, gained only 18.1 per cent of the UK market, compared with Ford at 33.1 per cent. Vauxhall took 9.3 per cent and Talbot 6.3 per cent. Imports, at 56.5 per cent, were slightly down in total sales of 104,000, compared with 133,000 for the whole of February last year.

● Another 190 production workers will be layed-off today at BL's Pressed Steel Fisher plant at Speke, Liverpool. It will bring the number of lay-offs to 380, more than a quarter of the 1,200 workers.

Exam urgent, say teachers

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

GOVERNMENT commitment to the early introduction of a new 17 plus examination is urged in a policy statement issued by the second largest teachers' union today.

The 120,000-member National Association of Schoolmasters and Union of Women Teachers calls for urgent authorisation of development work for the exam, which would be for children staying on beyond the compulsory school age but not academically bright enough for GCE Advanced levels.

The NAS-UWT says that although total numbers of school pupils are falling, the number staying on beyond the age of 16, can be expected to increase partly because of the shortage of jobs. The schools urgently need the 17-plus, which would be called the Certificate of Extended Education.

Building and Civil Engineering

£28m Nigerian hospital contract

A CONTRACT valued at £28m for a further stage of construction of the Sokoto Teaching Hospital, Sokoto, State, Nigeria, has been won by Taylor Woodrow.

The award has been made by the Federal Ministry of Health and the work will be supervised by the Federal Ministry of Works and Housing. The consultants are Comprehensive Services International (Nigeria) of Lagos. Work, now starting, is due for completion in autumn, 1982.

Three ward blocks, in addition to the three existing blocks built under an earlier stage, are to be constructed. In addition there is to be a diagnostic and treatment block, nurses residences, and support service buildings. Also called for in the contract are mechanical and electrical services for the entire site including water supply, sewage disposal and standby electric supply.

Six years ago Taylor Woodrow of Nigeria was awarded a contract for the central core of the new hospital. This consisted of an administration building and amenity ward, and two general hospital wards, with accommodation for 188 patients.

£4¼m worth to Norwest Holst

WORK WORTH more than £4¼m has been awarded to Norwest Holst, including a £1.3m job for the Property Services Agency for the construction of a computer building with associated external works at Gosport, Hants.

Four contracts valued at £1.3m include: £208,297 for laying ductile iron water mains from Patterson to Dodside, Strathclyde for Strathclyde Regional Council Water Department; £264,483 for ductile iron water mains at Newbury for Thames Water Authority; two jobs—£455,000 and £375,000—for British Gas Corporation for a mains and service laying period contract in the north Kent district and similar work in the Mersey, south Lancashire and west Lancashire areas.

Mechanical installations division has been awarded two contracts in south Wales with a total value of £214,510, comprising installation of equipment for a plastic strapping line at Signode's factory near Swansea, and British Steel Corporation project for the conversion of a 3 stand mill to a 4 stand mill.

A £1.2m contract for Amey Roadstone Corporation's new head office block in Chipping Sodbury, Avon, has been won by sister company Nott Brodie.

Norwest Holst Soutbern has been awarded £200,000 for the construction of reinforced concrete boppers and bunkers on a mechanical installation scheme at Tilmanstone Colliery, near Deal, Kent, being carried out by Babcock Minerals Engineering on behalf of the National Coal Board.

£7½m road for Telford

WORK WILL start soon on the final stage of Telford's Eastern Primary Road—the one and a half mile long "missing link" between the Greyhound interchange on the A5 road and the Wombridge interchange in the north-east of the East Shropshire new town.

The contract, worth £7½m, has been awarded to R. M. Douglas Construction and the road will take two years to build. It will provide an uninterrupted dual carriageway running from Trench Lock on the Telford-Newport (Salop) Road, to Sutton Hill in the south on the A442.

Over 750,000 cubic metres of material will be excavated and as only part of this is required to form the embankments, a large amount will be taken to Old Park and Telford Centre where it will be used to create new landforms in connection with future development there.

The route runs almost wholly through an area where coal seams occur and in a large cutting through Snedshill several coal seams will be exposed. It is hoped that about 18,000 tonnes of coal will be won.

Will locate deep down drains

A HEAVY DUTY transmitter probe developed by Electrolocation of Bristol has been christened "Big Bertha" in view of its ability to locate non-metallic drain runs at depths to 60 ft.

The capsule is 2 ft long and 4½ ins in diameter. It contains a powerful transmitter operating at 3.5 kHz which is able to propagate a signal that can be picked up on the surface by the company's GPR receiver. Built-in flotation chambers giving a draught of only 3.5 ins allow the probe to be floated through on a tether. Pencell alkaline batteries provide a life of four hours of continuous use.

The passage of Big Bertha can then be followed on the surface to trace the run of the drain.

More from the company at 129, South Liberty Lane, Bristol, BS3 2SZ (0272 634353).

Rail interchange work

MANAGEMENT FEE contract for a scheme valued at more than £1.8m has gone to Fairclough Building for work at Kings Cross rail-tube interchange by London Transport, acting as agent for British Rail.

This involves working at three levels concurrently on the installation of finishings to the station shell now under construction.

A new booking hall and offices will be provided at street level as well as finishings for a passenger footbridge and staircase at two underground levels, together with a 220 metre subway linking the new station with the existing Piccadilly and Victoria tube lines.

Housing and factory work

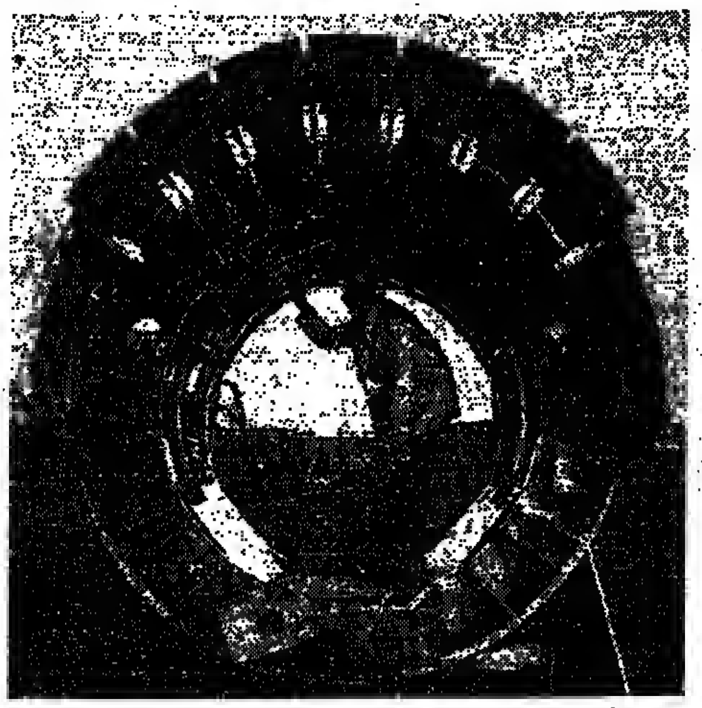
A SUBSIDIARY of London and Northern Group, E. Fletcher Builders (Midlands), has been awarded contracts worth £3¼m.

The largest is for the Metropolitan Borough of Wolverhampton, for 208 dwellings and is worth £3.18m. Work is scheduled to start in March and be completed in mid 1981.

The other contract is for the construction of 18 flats at Erdington for the Penns Second Housing Association.

In Scotland and the north of England other members of the group have gained contracts valued at about £1.4m. John Crossland is building a warehouse for BBC (Morley) while Border Engineering Contractors has won contracts for a factory extension at Lillyhall for Leyland National and for alterations to the factory of Dorman Smith Fuses at Salterbeck for English Industrial Estates Corporation.

Tractor Shovels Contracts is undertaking earthmoving and surface work on the A1 trunk road south of Penmanshiel for the Scottish Development Department.



This 1,800mm diameter shield, designed by the Delta Construction Company, will be used to drive a 1km long drainage tunnel for stage 5 of the new Bournemouth, Hants, town centre by-pass. The tunnel will be driven at a depth of about 50 ft behind two of these shields. Value of the contract is worth about £1m.

£13½m steel plant complex

CEMENTATION Construction is to undertake three contracts with a total value of about £13½m.

The main project is a £13m contract to build an industrial complex for a new steel fabrication plant in Darlington for its sister Trafalgar House Company, Cleveland Bridge and Engineering.

The new factory will house modern cutting, forming, assembly and welding plant. Total cost of the plant is estimated at £26m. The 23-month operation is scheduled for completion at the end of 1981.

The other contracts are quite small and are for a factory in Cogan Street, Barrhead for Pascoe Tool and Engineering (£30,000) and for work on the Corrie Bridge near Lockerbie, Scotland, for the Dumfries and Galloway Regional Council (£74,000).

Modernising a store

MODERNISATION of Littlewoods store in High Street, Lincoln, is to be carried out by John Laing Construction under a £819,000 contract.

Work at the store bas just started and involves extending the plant room at roof level, converting the first-floor stockroom to a sales area, building two new staircases, installing an escalator and repositioning staff rooms at first-floor level. Completion is due by October.

A quieter compressor

SAID TO bava a noise level of only 69 dBA at seven metres is a new compressor set introduced by Hydrovane Compressor Company, Redditch, Worcs. (Redditch 25522).

Mnch noise at source has been eliminated by uprating the engine mountings, exhaust, air cleaner and rearrangement of the internal air flow.

Also, by redesigning the canopy, the company's engineers bave successfully created sound absorbing barriers which reduce projected noise and, on the underside of the compressor, several changes to the suspension and axle assemblies are claimed to give improved weight and handling characteristics, with longer tyre life.

Access to awkward ceilings

IT HAS always been a problem for decorators to reach a ceiling or walls above stairwells, but now a solution is offered with a lightweight one-piece scaffolding unit which comes in one piece, folded flat for easy carrying, whose legs can be adjusted to enable easy access to difficult areas.

Called the Readyscaf Stairdeck, it gives height adjustment up to 14 feet, has an adjustable high platform section (either 4 ft x 12 in or 4 ft by 27 in) and is made from lightweight aluminium tube.

It opens up like a deck chair with a locking bar placed into anchor bar fittings and its ½ in ply board placed into position ready for operator action.

IN BRIEF

● Bovis has been appointed management contractor for the fitting out of part of an office block in Hammersmith, West London, for Citibank Trust. The £¼m job is to fit out levels four to seven of St. Martins House (owned by Citibank Trust)—remaining floors are being leased to other companies.

● Mears Contractors has received three short-term contracts: £298,000 is from Middle Level Commissioners in Chatteris, Cambs., for the construction of four bridges; British Airports Authority, Gatwick, has awarded £120,000 worth of work for the breaking up and reconstruction of aircraft pavements, and a 6-bedroom extension to the Rivercroft Hotel at East Looe, Cornwall is to be carried out for £93,000.

● Advance workshop units at Sunderland and Jarrow for English Industrial Estates Corporation, are to be constructed by Mowlem under contracts worth £400,000.

● Trafalgar House Developments bas opened an office at Ashley House, West George Street, Glasgow. Projects under way in Scotland are worth over £12½m, says the Group.

Easy-to-assemble ducting

PROMISING BENEFITS to installers of ventilating systems, to electricians and builders, is the Speediduct system of extruded pvc ducting designed to speed up installation of small-scale ventilating systems, says Villa Plastics, Glendale House, 155 Harlington High Street, Harlington, Middx (01-897 8360).

This system consists of three-metre lengths of seamless four-inch square white ducting with push-fit connecting pieces and a range of fittings.

No skill or specialist tools are required—minimum needs are a saw, screwdriver and tape measure—and lengths of ducting are simply sawn to requirement and connected by either straight-through connector pieces or bends. When connected, the joins are hardly visible, says the company, and it is very easy to construct complex ducting runs.

Cash aid for students

BECAUSE IT is often claimed that the financial penalty to the student involved in part-time education is a major disincentive to continuing his education, a trial scheme (under which up to 200 postgraduates undertaking part-time study for Masters degrees will receive financial assistance) has been announced by the Science Research Council, North Star Avenue, PO Box 18, Swindon (0793 26222).

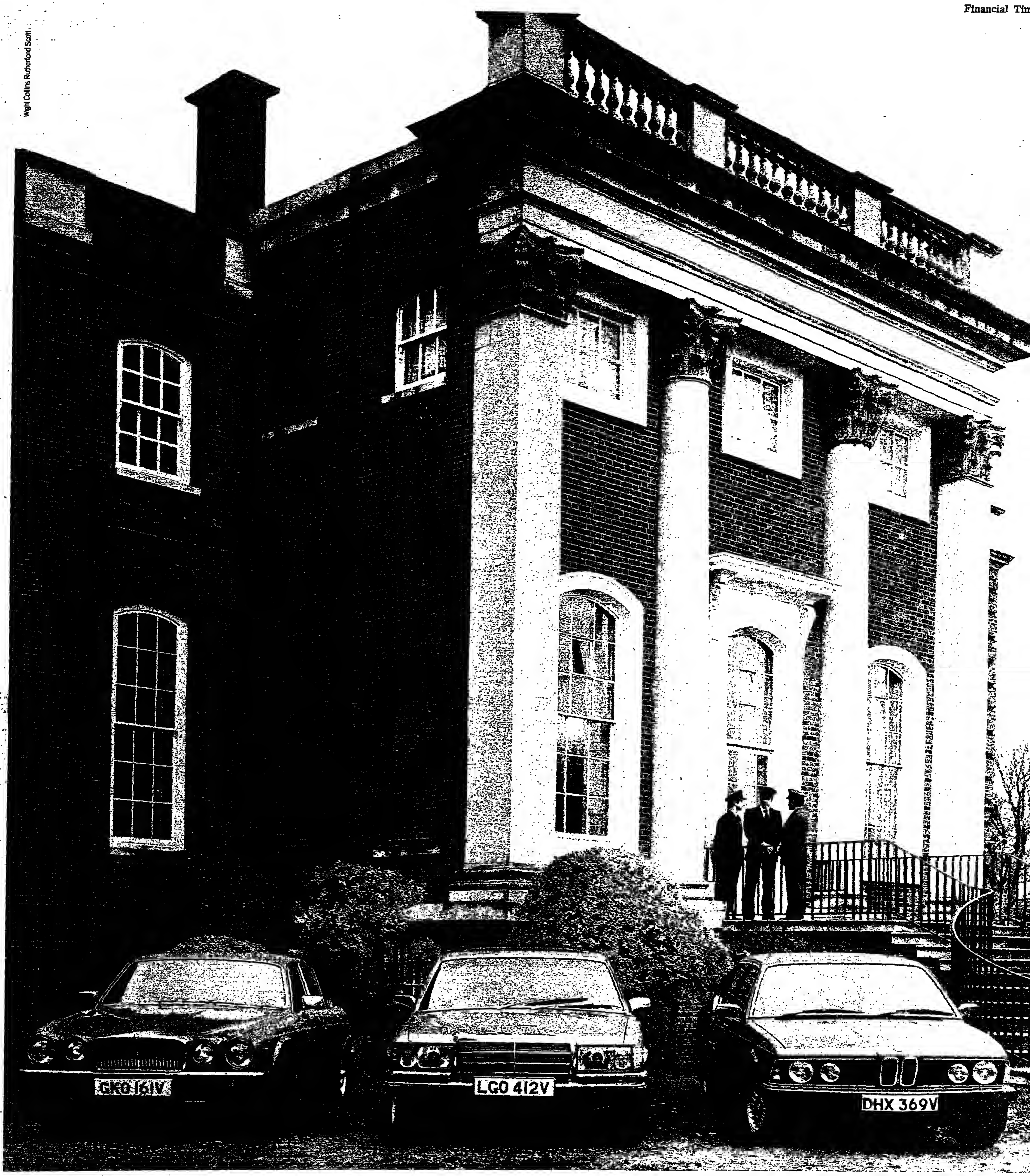
Objective of the trial scheme is to establish whether this claim is a fact for part-time postgraduate scientists and engineers in industry.

Initially, up to ten bursaries will be available for two successive annual intakes on each of ten MSc courses at nine polytechnics and one university in the 1980-81 academic year.

Courses have a strong industrial bias and the bursaries will cover fees (including CNAA registration) plus £100 per aonum as a contribution towards the student's costs (for example travelling, books) over the approved duration of the conrse.

هكذا من الاصل

Wight Collins Rutherford Scott



WHICH OF THESE CHAUFFEURS HAS JUST RESIGNED?

Yes, it's the BMW chauffeur who's been driven to resign.

He's tired of taking a back seat while his boss has all the fun of driving the new BMW 732i.

So he's found a job driving a Jaguar where he doesn't expect the same problem to arise.

Mark you, as soon as you sit behind the wheel of the 732i, it all begins to come clear.

And clearer still as you accelerate to 60 mph in 8·7 seconds.

Or hug bends as though on a rail.

It's a joy to drive fast and know your mother-in-law won't even notice.

And it's very reassuring to know that your children asleep in the back are particularly safe.

And even if you're stuck in a traffic jam on the way to the airport there's an air of peace in the car that takes the edge off missing the plane.

It's also nice to know that even while you're sitting in that traffic jam the ignition is being 'tuned' fifteen times every second.

The BMW 732i is the only car in the world with the motronics system – a micro-chip computer which constantly keeps the car running at its best.

So you don't use a drop more petrol than you need.

All the new BMW 7's now have fuel injection, too, and overall use 7% less petrol than the original BMW 7 Series.

So you can look forward to even the longest journey with satisfaction.

This is a car for people who like to be in the driving seat.

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LOMBARD

The 55-year old steel worker

BY SAMUEL BRITTAN

TO THE EXTENT that I lie awake worrying about economic matters at all, what I think about are the trends shown in the Department of Employment Gazette rather than in the Euromarkets or domestic banking. For unless we can restore a functioning labour market, there will ultimately be no financial markets, except clandestine ones on the pavements by the side of the barbed wire erected by the commissars or colonels.

Unskilled

The January 1980 Department of Employment Gazette contains a fascinating article on the long-term unemployed. As usual it is much better on figures and detail than on analysis. Registered long-term unemployed were mostly men. Last October the numbers out of work for a year or more stood at 337,000. This was just over a quarter of the adult unemployment total and the highest since the war. At least half were aged 55 or over; three-quarters had previously been unskilled or semi-skilled manual workers. Even among the younger ones, over 73 per cent had no qualification whatever (according to the reported sample study). More than a third reported that they had some handicap or illness which affected their activities; 13 per cent were actually registered as disabled.

At this stage the argument generally degenerates into an impasse. One side says that such people are unemployable or do not want to work. The other side maintains that the weakest groups of workers are simply the victims of a low general level of employment—and call for some favourite nostrum to "create more employment," whether work-sharing, import controls, or a domestic demand boost from the Chancellor.

Both schools are wrong. The stimulators are wrong, because their measures will lead to more inflation rather than more jobs. But it is equally wrong for their opponents, especially if they claim to be market economists, to dismiss anyone as unemployable without reference to the wage at which it would be worthwhile to employ him.

The clue is provided quite unwittingly by the D.E. study, which observes: "Many of these people compared their benefits with the likely pay from jobs which are available and felt that the extra amount was inadequate compensation for the rigours of a job and the expenses incurred."

What then does one do with an unemployed steel worker over 55, who is capable of earning say £50 or £60 a week? To deprive him of the dole to force him into work would be inhuman. But for him to remain out of work is wasteful, and expensive to the taxpayer, as well as personally demoralising.

Yet there is a further possibility. Our hypothetical ex-steel worker has some earning power—although not enough to maintain himself and family—or at least not enough to make it worth his while to sacrifice the dole. Why not then let him work for what he can and have some state benefit on top of it? In other words, instead of cutting off all his unemployment pay or supplementary benefit when he takes a job let him lose only part of his benefit for every pound he earns at work.

Of course there are complexities to be resolved. Until such time as we can afford a general negative income tax or "tax credit" scheme, guaranteeing everyone a minimum income, any scheme for the partial payment of dole to workers would have to be carefully restricted in scope.

True enemy

All these problems are soluble, and a modest start would be better than nothing. The real difficulty is the political one that benefit-supported low paid workers would compete at the margin with the lowest-category of workers on union rates and force the latter down. This is just another example of the way in which coercive trade unions—like all monopolies—obtain higher remuneration for their members at the expense of lower output and less jobs. The D.E. writer refers to another aspect of this when he speaks of reluctance even among younger people to train because of anxiety about the acceptability of Government training courses to unions and employers. Labour market monopoly is the true enemy of full employment.

Calls for review of third party rights

THE WEEK IN THE COURTS

BY JUSTINIAN

CLARION calls for law reform are not part of the everyday repertoire of the sound of forensic music made by the law Lords.

In Woodar Investment Development v. Wimpey Construction UK, Lord Scarman sounded such a call, and he asked for review "now, not 40 years on."

What defect, what fault in the law provoked this strong outburst? Some outrageous bureaucratic interference with personal liberty? Some unfair discrimination against married or single women in the allocation of finance or property? Some niggardliness in an award of compensation for injuries or loss caused by a factory or road accident? Some excessive harshness in criminal sanctions or penalties?

No remedy

In fact, it was the topic of third party rights under contracts.

According to a rule of English law, if B agrees with A to pay a sum of money to C, but in breach of his contract with A, fails to pay C, C has no remedy because C is not a party to the contract and English law recognises no third party rights under contracts, or to use pompous Latin jargon no *jus quaesitmum tertio*.

Lord Scarman described this as an unjust rule, and called for review of the "crude proposition" that the "state of English law is such that neither C, for whom the benefit was intended, nor A, who contracted for it, can recover it if the contract is terminated by B's refusal to perform."

Lord Keith of Kinkel agreed with Lord Scarman that it was desirable for the House of Lords to have the opportunity of "reviewing, in some appropriate future case, the general attitude of English law towards the topic of *jus quaesitum tertio*."

The case which caused these clarion calls concerned a contract for the sale of 14 acres of land known as Mizen's Nurseries at Cobham, Surrey, for £850,000.

The vendors were Woodar, the purchasers Wimpey. The contract was dated February 21, 1973.

The negotiations for the purchase were conducted on behalf of Woodar by Mr. Ronald Cornwell. Under the contract, part of the purchase price—£150,000—was to be paid upon completion to Transworld Trade, a Hong Kong company of which Mr. Cornwell was a European agent.

The contract contained a clause entitling Wimpey to rescind it in certain events. One of those events was that before the date of completion "any authority having a statutory power of compulsory acquisition . . . shall have commenced the procedure required by law for the compulsory acquisition of the property or any part thereof."

In 1970, notice had already been given to the then owner of the property of a draft compulsory purchase order for 2.3 acres of the property. On November 8, 1973, a compulsory purchase order was duly made.

By March 1974, a slump had occurred in the value of Mizen's Nurseries. On March 20 of that year, Wimpey sent a notice purporting to rescind the contract of sale in accordance with the relevant clause.

But as the compulsory purchase procedure had started before the date of the contract, the notice of rescission had no strict legal justification or basis.

Success

Woodar claimed that in sending such a notice Wimpey was repudiating the contract. Woodar sued Wimpey for a declaration to that effect and for damages.

Woodar succeeded not only before the trial judge, Mr. Justice Fox, in the Chancery Division, but also in the Court of Appeal. The success included an award of compensation to cover the payment of £150,000 to Transworld.

But in litigation the last word is with the House of Lords. The Law Lords, by a majority of three to two, allowed an appeal by Wimpey.

The case raised what Lord Salmon regarded as a "point of law of considerable importance in relation to the repudiation of contracts."

The majority of the law Lords in effect decided that, if a party to a contract rescinds a contract in good faith under a clause of the contract, he is not repudiating it, even though in law he had no right to rescind under that clause.

Lord Wilberforce said that "it would be a regrettable development of the law of contract to hold that a party who *bona fide* relies upon an express stipulation in a contract in order to rescind or terminate a contract should, by that fact alone, be treated as having repudiated his contractual obligations if he turns out to be mistaken as to his rights. Repudiation is a drastic conclusion which should only be held to arise in clear cases of a refusal, in a matter going to the root of the contract, to perform contractual obligations."

In considering whether there has been a repudiation by a party, it is necessary, said Lord Wilberforce, to look at his conduct as a whole. Does the conduct as a whole indicate an intention to abandon and refuse performance of the contract?

It followed in the case of Woodar and Wimpey, said Lord Wilberforce, as a clear conclusion of fact, that Wimpey "manifested no intention to abandon, or to refuse future performance of or to repudiate the contract."

Different view

The issue was one of fact: citation of other decided cases on other facts was hardly necessary. A party who took action relying simply on the terms of the contract and not manifesting by his conduct an ulterior intention to abandon it was not to be treated as repudiating it.

A minority of the law Lords took a different view.

Lord Salmon said that Wimpey had made it crystal clear by their notice and letter of March 20 that they purported to bring their liability under the contract to an end by rescinding and discharging it and that they had no intention of paying the contract price for the land in question.

"If," he said "this does not go to the root of the contract and evince an equivocal intention no longer to be bound by it, and therefore amounts to a repudiation of the contract, I confess that I cannot imagine what would."

The other member of the minority, Lord Russell of Killowen, resorted to mixed metaphor. In his opinion Wimpey wrongfully repudiated the contract by its notice of rescission.

"I cannot agree that, if my opinion were correct, it would be an unfortunate step in the law," he said. "If a party takes such a bold step he risks disaster. If he plunges in without first testing the temperature by a construction summons asking whether the rescission remedy is available to him he runs the risk of catching a severe cold."

Businessmen up and down the country, in their zest to complete business transactions with a minimum of delay and interference will doubtless welcome the prospect of adding to their programmes a visit to the Chancery Division on a construction summons whether for the Fahrenheit scale of one judge or the Centigrade of another.

Do not the vicissitudes of this Woodar and Wimpey litigation stress the need for simple rules in the law of contract rather than for litigious excursions into juridicial temperature chambers?

Monksfield can score hat-trick

RACING

BY DOMINIC WIGAN

AS ANTICIPATED, Saturday's racing in England and Ireland shed as much light on Cheltenham prospects as the combined glut of sport during the past couple of months in Britain.

We now know that barring a recurrence of a blood disorder, Monksfield may well be set to join Hatton's Grace, Sir Ken and Persian War as the third hurdler to complete a hat-trick of crowns in the Champion Hurdle and that the Irish look equally set to land the Triumph Hurdle.

From an English standpoint, the outcome of Saturday's two major chases were encouraging to say the least.

Although Royal Mail ran deplorably in Kempton's Tote Pattern Chase, Approaching ran a highly encouraging race in the same event and at Leopardstown, Irish Gold Cup prospects, Jack Of Trumps and Ballyross, were both thrashed in the Harold Clarke Leopardstown Chase.

For me, the most interesting aspect of the day's racing was the fact that bookmakers, having digested the results of the two Daily Express Triumph Hurdle trials, should decide to bracket Hill Of Slane and Torenaga as joint favourites for the Cheltenham race.

Whereas Hill Of Slane has been beaten three times this season, Torenaga has won on each of his five appearances, and at Leopardstown beat considerably stiffer opposition than that which Hill Of Slane beat in England a quarter-of-an-hour earlier.

In addition, it is worth remembering that Hill Of Slane has twice lost to Gleason on level terms and failed by six lengths to give Batchacre Hall 3 lbs at Cheltenham.

Batchacre Hall had previously been beaten by Torenaga in Ireland.

FONTWELL

1.45—Eaton Boy**
2.45—Snowtown Boy
3.15—Selway
4.15—Royal Admiral***

DONCASTER

2.00—Rorqnal*
2.30—Spartan Spirit
3.30—Hayride
4.30—Little Bay

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.00 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 How Do You Do? 2.01 For Schools, Colleges. 3.15 Songs of Praise from Wrexham, Clwyd. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Heyyy, It's the King. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 The Perishers.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.45 Olympic Grandstand.
7.15 Blake's Seven.
8.10 Panorama from New Hampshire: report on Carter-Kennedy and the bottle amongst the Republicans.
9.00 News.
9.25 The Monday Film: "The Spiral Staircase" starring Jacqueline Bisset and Christopher Plummer.
10.55 Film 80.
11.25 News Headlines.
11.27 Education Matters.
11.50 Weather/Regional News.

All Regions as BBC1 except as follows:

Wales—1.45-2.00 pm Pili Pala. 2.18-2.38 For Schools. 4.40-5.05 Isla and the Farm on the Hill. 5.55 Wales Today. 6.20 Tom and Jerry. 6.30-6.45 Heddiw. 11.50 News and Weather for Wales.

Scotland—11.00-11.20 am For Schools. 12.15 pm It's a Great Life. 12.40-12.45 The Scottish News. 5.55-6.20 Reporting Scotland. 11.50 News and Weather for Scotland.

†Northern Ireland — 3.50-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.05 It Figures.
10.30 The Handicapped Family.
11.00 Play School.
2.15 pm Let's Go.
2.30 Roads to Conflict.
3.00 That's the Way the Money Goes.
3.30 Delia Smith's Cookery Course.
4.00 Modern Language Teaching.
4.50 Open University.
5.40 Charlie Brown.
6.05 James Burke's Connections.
6.55 Training Dogs the Woodhouse Way.
7.20 Mid-Evening News including sub-titles.
7.30 Rock Goes to College.
8.10 An Evening with Anthony Newley.
9.00 Yes Minister.
9.30 Horizon.
10.20 Russian — Language and People.
10.45 Newsnight.
11.30 Arena: Artist John Hoyland.
12.05 am Closedown, reading.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 Numbers at Work. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 Food, Wine and Friends. 2.30 Monday Matinee: "Squeeze a Flower." 4.15 Clapperboard. 4.45 Jukes of Piccadilly. 5.15 Money-go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 The Kenny Everett Video Show.
7.30 Coronation Street.
8.00 Rushton's Illustrated.
8.30 World In Action.
9.00 The Sandbaggers.
10.00 News.
10.30 Monday Film: "Two Mules for Sister Sara" starring Shirley MacLaine and Clint Eastwood.
12.35 am Close: Personal choice with Michael Bentine.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 2.00 Monday Film Matinee: "The Storyteller." 3.45 Food, Wine and Friends. 5.15 University Challenge. 6.00 About Anglia. 10.30 Cross Question. 11.00 The New Avengers. 12.00 A Big Country. 12.30 am Reflection.

ATV

1.20 pm ATV Newsdesk. 2.00 Rendezvous with Romance: "There On a Oars" starring Juno Allyson. 3.45 Food, Wine and Friends. 5.15 The Television Programme. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 ATV Newsdesk. 11.05 Barney Miller. 11.35 Divorce and after. 12.05 am Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee: "Cry of the Wild." 5.15 University Challenge. 6.00 Lookaround Monday. 6.15 Collecting with Curtis. 10.30 Monday Movietime: "Il He Hollers, Let Him Go." 12.20 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where and Weather. †2.00 The Monday Matinee: "Knock On Any Door." 3.45 Food, Wine and Friends. 5.15 University Challenge. 6.00 Channel News. 6.10 The Lone Ranger. 10.28 Channel Late News. 10.35 The Pardoe Programme. 11.05 B.J. and the Bear. 12.00 News and Weather in French.

GRAMPIAN

5.25 am First Thing. 1.20 pm North News Headlines. 2.30 Monday Matinee: "The Purple Plain," starring Gregory Peck. 5.15 Wild, Wild World of Animals. 6.00 North Tonight and Area Weather Forecast. 10.30 Reflections. †10.35 The Monday Movie: "The Hustler," starring Paul Newman. 12.20 am North Late Night Headlines.

GRANADA

1.20 pm Granada Reports. †2.00 Monday Matinee: "The Damned Don't Cry." 3.45 Food, Wine and Friends. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Selwyn. 10.30 Reports Politics.

HTV

1.20 pm Report West Headlines. 2.00 Here Today. †2.30 The Monday Matinee: "Seven Days To Noon." 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 10.35 Food, Wine and Friends. 11.05 SOAP. 11.35 The Mackenzie Affair.

HTV CYMRU/WALES—As HTV West/HTV General Service except: 10.05-10.20 am About Wales. 1.20 pm Penawdau Newyddion Y Dydd. 1.25-1.30 Report Wales Headlines. 4.45-5.15 SER. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 11.00 Mystery and Imagination: "The October Man."

SCOTTISH

1.20 pm News & Road & Weather. †2.00 Monday Matinee: "And Then There Were None," Starring Barry Fitzgerald. 3.45 Food, Wine & Friends. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 Money Wise. 11.00 Maude. 11.20 Late Call. 11.35 Have Girls Will Travel.

SOUTHERN

1.20 pm Southern News. 2.30 "Woman of the Year" starring Joe Bologna. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day By Day. 10.30 Southern News Extra. 10.35 Open Doors. 11.05 Kaz. 12.00 Inside Business.

TYNE TEES

8.20 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.30 Monday Matinee: "A French Mistress," starring Cecil Parker. 5.15 Mork and Mindy. 6.00 North East News Headlines. 6.02 Crossroads. 6.25 Northern Life. 10.30 Northern Report. 11.00 North East News Headlines. 11.05 Monday Movie: "Destiny of a Spy." 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.00 Monday Matinee: "Geordie," starring Alastair Sim. 3.45 Food, Wine and Friends. 4.13 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 The Irish Factor. 11.00 The Odd Couple. 11.30 Gardening Today. 11.55 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. †2.00 The Monday Matinee: "Knock On Any Door," starring Humphrey Bogart. 3.42 Gus Honeybun's Birthdays. 3.45 Food, Wine and Friends. 5.15 University Challenge. 6.00 Westward Diary. 10.32 Westward Late News. 10.35 The Pardoe Programme. 11.05 BJ And The Bear. 12.00 Faith For Life. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Monday Matinee: "Geordie." 3.45 Food, Wine and Friends. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Country Calendar. 11.00 Police Story.

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Peter Powell. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Mike Read. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S) including 6.15 Pause for Thought. 7.32 Ray Moore (S) including 8.27 Racing Bulletin. 8.45 Pause for Thought and 9.03 Favourite Five Singles. 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music (S). 5.00 News. 5.05 Waggoners' Walk. 5.20 Much More Music (S). 8.03 John Dunn (S). 8.02 The Organist Entertains (S). 8.30 Folk 80 (S). 9.02 Humphrey Lyttelton with the Best of Jazz on records (S). 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.2-5.00 am You And The Night And The Music (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: Poulenc (S). 10.00 Zoltan Kodaly concert (S). 10.50 Viennese Piano Music (S). 11.40 BBC Northern Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 Music For Organ (S). 3.35 New Records (S). 4.55 News. 5.00 Mainly For Pleasure (S). (‡ and mono only from 8.20). 7.00 Paul Tortelier plays Bach (S). 7.30 Mahler: Symphony No. 2 (S). 8.00 The Man in the Middle: Hermann Ellis. 9.45 Two English Piano Quintets by Bridge, Josephs (S). 10.50 Percy Grainger on record (1925). 11.25 Jazz in Britain (S). 11.55-12.00 News.

VHF only— 6.00-7.00 am and 6.20-7.00 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week On 4. 8.45 John Ebdon with the BBC Sound Archives. 9.00 News. 9.05 Start The Week With Richard Baker. 10.00 News. 10.05 Money Box. 10.30 Daily Service. 10.45 Four Frightened People. 11.00 News. 11.05 Offshore Britons. 11.50 Poetry Please! 12.00 News. 12.02 pm You And Yours. 12.27 Brain Of Britain 1980 (S). 12.55 Weather; programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 Afternoon Theatre (S). 4.45 Short Story. 5.00 PM. News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Frank Muir Goes Into . . . University (S). 7.00 News. 7.05 The Archers. 7.20 Science Now. 7.45 The Monday Play (S). 8.00 Three Women Gardeners. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The News Quiz (S). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 John Toogood's Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time from the House of Commons. 8.00-5.00 am Join Radio 2.

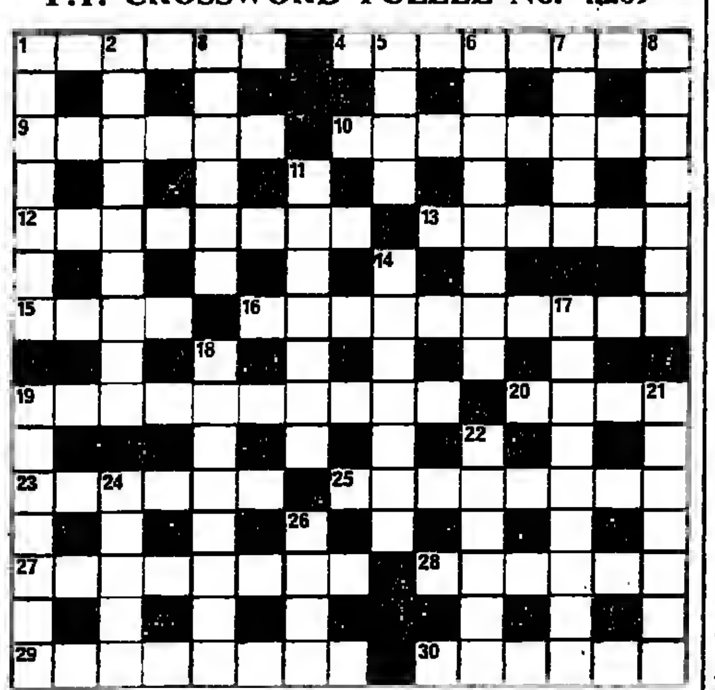
London Broadcasting

5.00 am AM with Bob Holness and Douglas Cameron. 10.00 The Brian Hayes Show. 12.00 LBC Reports. 8.00 pm After Eight Special—Afghanistan: The European Response. 9.00 Jonny Lacey—Nightline. 12.00 LBC Reports Midnight. 1.00 am Tere Jefferies—Night Extra. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Alan Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 4,209



ACROSS

1 Collect gun with her (6)
4 Cared about favourite being reprimanded (8)
9 Repair a place much frequented (6)
10 My trail I confused in the army (8)
12 Whip guide-leader in fun, it should be illuminating (5-3)
13 Size of book having eight leaves to the sheet (6)
15 Jug animal before starting roasting (4)
16 Dries food in chimney (5-5)
19 Ship's officer, sailors and friend in a motherly way (10)
20 Animal showing way to silver (4)
23 Joint left in spice (6)
25 Draughtsman producing symbol with animal around (8)
27 One who puts into operation a revised cut rota (8)
28 Prohibit a North African fruit (6)
29 Left role during act (8)
30 Come to rest on a bench (6)

DOWN

1 Soldier followed by airmen on iron animal (7)
2 Check men in at will (9)
3 Unrefined soil found on top of Yorkshire (6)
5 Greedy notice about six (4)
6 Member of royalty incorporated in crowd . . . (8)
7 . . . and her head-dress in Godetia racemes (5)
8 Subject to prohibition and cut off where ships are careened (3-4)
11 Vegetarian food producing unusually lean tum (7)
14 Pan for game slaughtered in burrow (7)
17 A race to finish worker and servant (9)
18 Seat from which member is to control meeting (8)
19 Top class performer in "Mud" could be hot stuff (7)
21 Fish to catch on end of line? Rubbish! (7)
22 I'm rising with anger but it could be an illusion (6)
24 The French ram for alleviation (3-2)
26 He must accept work in confidence (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

Festival Hall

Prague Symphony Orchestra

by ANDREW CLEMENTS

Czech orchestral playing is linked in the mind so indissolubly with the Czech Philharmonic, that it's sometimes hard to remember that the capital houses another, eminently exportable orchestra. The Prague Symphony Orchestra last visited Britain seven years ago, and returned to the Festival Hall on Saturday evening under Jiri Belohlavek, one of its two present principal conductors. It does not, on this evidence, have the class of its more famous sister, save perhaps in the brass section. The glories of Czech string playing can sometimes be heard, and there is much raw strength and gutsy tone (too raw in unguarded moments) but climaxes were often muddy and the woodwind prone to startled swoops; discrepancies in ensemble seemed out of place in what is a long-established, well-drilled orchestra.

The programme was largely Czech: the orchestral suite culled by Talich and Smetacek from the first act of Janacek's *The Cunning Little Vixen*, the New World Symphony and, curious choice, Sibelius's Violin Concerto. Dvorak was generally more successfully rendered than Janacek; the orchestra is solidly traditional and was more at home in symphonic writing than in the luminous web of the *Vixen* extracts. The solo violin for the goat's waltz was only approximate, the dragonfly's return buried too deeply in drifting, undifferentiated lines, but Mr. Belohlavek and the trumpets seized upon the vixen's escape from the Forester (which ends the suite) to marvellous triumphant effect.

The soloist in the Sibelius concerto was Boris Monoszon, a young Soviet violinist, student at the Chaikovsky Conservatory and winner of the Von Karajan Competition in 1974. He is technically fluent (though moments in the finale teetered on the edge of embarrassment) but curiously thin of tone, particularly on the lower strings. The concerto's opening suffered grievously as a consequence, while the slow movement was a sorry affair indeed, watery and unfocused. For some reason Mr. Belohlavek scaled down the lower strings for the concerto; its only palpable effect was to reduce the impact of most of the more substantial tuttis.

The previous evening in the Queen Elizabeth Hall, one of the English Chamber Orchestra's more enterprising programmes was rewarded by a house less than half full, even when the modern-music pill was sugared by Beethoven's first symphony. David Atherton conducted, and made an energetic, effective *hors d'oeuvre* out of William Mathias's *Divertimento* for string orchestra, an early work (written in 1958 while the composer was a student) but confidently constructed and sure of its language, even if that language now seems dated and anonymously modal.

In Britten's *Nocturne* Robert Tear found more comfort than he had been allowed in *Das Lied von der Erde* three days before; he is perhaps at his best in snapshot characterisations and it was in the settings of sharper dramatic point that he found most. In "The Kraken" he was helped considerably by Graham Sheen's marvellously lucid bassoon-playing and by his own deft handling of rhymes in the Keats "Sleep and Poetry"; the Coleridge mood folk "Wanderings of Cain" remains elusive, but now the episode from *Wordsworth's Prelude* has an authentic heroism. The *Nocturne* increasingly suggests it is the most enduring of all Britten's orchestral song cycles.

Wigmore Hall

Nash Ensemble

by DAVID MURRAY

Any Nash Ensemble concert arouses high expectations, and higher still when French music and Mozart are promised. Thus Saturday's concert, for which even the most sanguine hopes were amply fulfilled, this review is in danger of turning into a Valentine. All their Wigmore concerts this season have been on this plan and since Saturday concluded the series something like a deep salaam should be in order.

Mozart began the concert—the Clarinet Trio K.498, in a leisurely and lovely performance. Antony Pay led it with golden tone (at the interval people were remembering Reginald Kell) and astonishing breath-control; he traced the melodic line with his eyebrows when he wasn't allowed to play it. Roger Chase's viola was excellently secure, and at the piano Ian Brown matched his poise and seized his own fleet opportunities with relish. At the other end of the evening came Ravel's *Introduction and Allegro*, no less elegantly tender, with a most musicianly account of the central harp part by Frances Kelly—placed a bit unfairly at far stage left.

That was all vintage Nash. So was their other Ravel, the *Chansons madécasses*, this time with Sarah Walker as the mezzo soloist: pungent and exciting, with an original note of sad reproach in the anti-colonialist "Aoua" (and a brief uncertainty about the progress of "Nahandove" after its first climax). The cycle followed the Piano Trio of Ravel's teacher Fauré, composed only four years earlier. Though at many moments the Trio glowed, with beautiful unison playing by the strings (Marcia Crayford and Christopher van Kampen), it sounded a performance-in-the-making still. Their Allegro was too deliberately "non troppo" to keep the music steadily aloft, their Andantino so candidly expressive at the outset as to foreclose on its later intensity—and the contrasting declarations of strings and piano in the Finale need to be carried by one and the same pulse. These are fine-line niggles, prompted by a performance of generous warmth.

Miss Walker's principal mission was to revive Fauré's version of *La Bonne Chanson* with string quintet and piano and she achieved it triumphantly. Something of the intimacy of the sentiments in the songs is inevitably lost in this larger version, but she capitalised on that: *La Bonne Chanson* is almost as specifically a man's song-cycle as Schumann's Frauenliebe is a woman's and Miss Walker's tact with her ambiguous role was supported by the distancing effect of the expanded accompaniment, which renders the work more public and more broadly Romantic. She was free to address the music with full-voiced sympathy, uncomplicated by the accident of gender, and the result was heart-lifting. With what remained to him of the original piano part, Ian Brown was pointedly delicate.

Leonard Burt

Wayne Sleep as The Barber, Jennifer Penney as The Aristocrat and Lesley Collier as Mam'Zelle Angot in 'Mam'Zelle Angot'

King's Head

Catchpenny Twist

by MICHAEL COVENEY

Leonard Burt

Nichola McAuliffe

This theatre's run of small-scale musical hits bites the dust, not without a fight, admittedly. But Stewart Parker's TV play fails to survive both the transfer of medium and its own inherent shortcomings. It starts off charting the fortunes of four graduates, drifting from teaching into the pop music business and, in the case of one of them, the "real" world of political agitation in Northern Ireland.

But, after a promising start, it drifts off into glib sentimental moralising and an enforced apocalypse in which the song-writing team of Fletcher and Semple is destroyed by a letter bomb after failing to make waves at a European Song Contest. I admire Mr. Parker's ambivalent attitude towards the troubles: if you're Irish, he seems to be saying, get out of the parlour. If you do, however, expect to be dropped as a character of credibility and interest in a play by Mr. Parker. This is the fate of Anna Keaveney as an agitator reminding her colleagues of their patriotic duties.

The words and music merchants, while not exactly Rodgers and Hart, do come across as a sympathetic duo in the nicely contrasted, sharp-edged performance of Tony Scannell and Bryan Murray. In fact, one feels that Mr. Parker is more interested in investigating the business of popular song writing than he is in writing a play about Ireland. "What rhymes with Quigley?" is the play's funniest line, as the couple attempt to lighten the dark by immortalising the latest Belfast victim.

But these early, very well written scenes, of how an ambitious, educated generation is coming to terms with its grim opportunities for expression are quickly submerged in a lot of second-hand flak about the compromised search for success. The guest yields a lovely interlude, however, when Tony Doyle—who plays a lot of small parts very well—appears in front of a sheeny backdrop in a blond wig to give us a distillation of every song that ever won on Eurovision.

The fourth Belfast graduate—expelled with her colleagues from teaching after an end-of-term shindig—is an embryonic Janis Joplin figure played by the wonderful but totally miscast Nichola McAuliffe, my discovery of last year, has a forehead that continues into her nose and most of Shaun Davey's music where possible before succumbing to the melodramatic demands of the script. Robert Gillespie's direction is fluid enough, but cannot disguise the awkwardness of inter-cutting the composition of a song with the process of its delivery in an unimpressed recording studio, or the difficulty of transferring televisual cutaway shots to the live stage.

Capital Radio to sponsor London Choral Society

Capital Radio are to sponsor the London Choral Society's work during 1980-81, the first time the Society has had major financia support. Brian Dickie, chairman of the LCS said: "Now in its 76th season, the Society has taken a renewed lease of life, and it is most rewarding to have this support from Capital Radio which enables us to continue to promote concerts of great interest and high standards, not only in our present season but in 1980-81."

'Hamlet' sponsorship

Midland Bank is sponsoring a new production of *Hamlet*, with Michael Pennington in the title role, to be presented by the Royal Shakespeare Company at Stratford-on-Avon this year. It will be directed by John Barton, who has produced *The Greeks*, presently in the RSC repertoire in London.

Sadler's Wells Theatre

Bintley/Angot/Springplank

by CLEMENT CRISP

In a varied week-end of dancing, one event stands out: the arrival of David Bintley's new *Homage to Chopin* with Sadler's Wells Royal Ballet, which I saw on Saturday afternoon. Its title comes from Andrzej Panufnik's score, and, without labouring the point, one can see how Bintley's choreography stands in the same relationship to the Fokine of *Les Sylphides* as does Panufnik's writing to his artistic forebear.

We are aware of a continuity of tradition—spiritual as well as physical—that is here assessed in sensitive and thoughtful terms. Gone the moon-lit glade and the evocation of Taglioni; instead Mike Becket has produced a back-cloth that first seems shadowy, but which will reveal itself as a crayoned shaded mass of colour against which six white-clad girls are caught dreaming, as if leaning gently on the night air. (Typically of Bintley, the ballet begins with this image, which catches and holds the attention at once). There, too, the Young Man (David Ashmole): no longer Fokine's "Youth of the Chopin type," but virile, and—as we later see—slightly amused.

The writing for Ashmole is brilliant, admirably done, and given those touches of originality which mark the short (less than 20 minutes) and felicitous span of the work: a solo ends with Ashmole reclining, the pose not quite complete as he maintains his weight just off the floor with one hand: elsewhere, a position is taken on the ground then carried "too far," extending beyond the anticipated and conventional as he leans backwards.

There are two pas de deux. The first, with Anya Evans, is decently lyrical, save for an awkward pose in which she is held, straddling his neck like the Old Man of the Sea; the briefer second duet is with Siobhan Stanley and is fresh, lovely. Bintley deploys his six girls with quiet ease, setting them floating or bounding, colouring movement through his own brief homage to mazurka and polonaise (the score is extended by the inclusion of the *mazurek* from Panufnik's *Polonic*).

This fourth work from Bintley shows him sure in his craft. It is economical, unfussed. Its atmosphere well sustained; and innovation is matched by respect for tradition—happiest of omens for the future.

I must also record that at this Saturday matinée Christine Aitken was serenely attractive in the re-dressed *Pavane* by MacMillan, with Alan Dubreuil as cavalier: and that Nicola Katrak was enchanting as the Young Girl in *The Two Pigeons*. With Desmond Kelly an impetuous Young Man, the sentiment of the first act has rarely seemed fresher in recent years: Katrak, with her expressive eyes and pretty wayward humour, is adorable.

Saturday night at Covent Garden brought the return of *Mam'zelle Angot* to the repertory. Not the most probable work to be revived after an absence of a decade, but justified as a memorial tribute to Leonid Massine, *Angot* has the inestimable benefit of Derain designs and a bubbling Lecocq score. No one will ever persuade me that the plot is comprehensible, yet Massine's dances have a vivacity and a bonhomous energy that remind us of his mastery as a choreographer and whisk the action helter-skelter along.

Lesley Collier and Wayne Sleep are very, very bright as Angot and her Barber; experience in the roles will allow them to relax, and find more of the charm and, in the case of the Barber, the pathos of their characters. Stephen Jefferies is good as the Caricaturist—and would be better as the Barber: Jennifer Penney is all sweet vacuity at the Aristocrat. With time the other roles should acquire the eccentric vitality that is so essential in Massine works of this kind.

Rather more to the point were *Voluntorics* and *La Fin du Jour* which completed the programme. *Voluntories* was strongly cast. Led by Alfreda Thorogood, who seems to infuse her dances with a pure, clear light, and David Wall; with Vergie Derman allowed to open her style out to its broadest and best in the trio with Mark Silver and Derek Deane: with the attendant double sextet including many of the brightest of the younger dancers in the company, among whom Ashley Page was excellent in his complete identification with Tetley's free manner.

Voluntories acquired a powerful physical impact. It lacked something in emotional resonance; this can come with further performances. *La Fin du Jour*, with its first and excellent cast—Park, Penney, Eagling (prodigious in his solos) and Hosking—seems even better than last season, both in its innovations of step and in its sensitivity to the pre-war years as they speak to us from the fashionable magazines of the period: it might be sub-titled *Homage to Deauville*.

At a time when Dance Umbrella is showing us the laboured and tiresome experiments of the supposed avant-garde, *La Fin du Jour* reasserts both the continuity and adventurousness of the academic school, and also the merits of MacMillan as a creator who extends the boundaries of dance. I find more true originality in the first movement of *La Fin du Jour* than in all the addled activities I have lately see at Riverside and the ICA Theatre.

At Riverside, the Nederlands Dans Theatre's aspirant group, Springplank, was on view on Friday night. Nine agreeable young dancers were seen in works by Nils Christe, Jiri Kylian (NDT's director) and Christopher Bruce. The dances looked unfocused and repetitious—a yardage of grey choreographic knitting.

Belgrade

'Brave New World' Festival

The Belgrade *Brave New World* festival, celebrating its tenth anniversary in the shadow of Tito's troubling illness, *almost* did not take place: the *usual* start on the first Friday in February was postponed a week and a four-man directorium has *replaced* the director, Milutin Colic.

The side-benefits of a trip to Belgrade are plentiful: American films by the dozens, plane to Dubrovnik, art exhibits by day, theatre evenings by night, relaxed company with Socialist film-makers from all the East European countries, Albania included.

A first for Yugoslavia was an all-embracing exhibit *of* the members of the Serbian Academy of Art over the past century and more, which had to *be* held on the *city's fair*-grounds to accommodate the masses.

Shakespeare at the Yugoslav Drama Theatre marked how tough the competition can be between this stage and its rivals, the National Theatre and the Atelier 212 (the home of BITEF). *Othello* and *King Lear* on successive nights were too good to resist despite enticements elsewhere.

Now over 50 performances and a winner at the Berliner Festtage in the German Democratic Republic in October, 1978, Stevo Zigon's production of *Othello* features two young actors and a sparse stage of sand beach and billowing linen, the latter serving as sails to Cyprus, the tempest in the Moor's soul, and Desdemona's bedroom-suite. The second act is a piece of stage, pushing Symbolism to the edge of Expressionism — the same set would apply equally to O'Neill's *Emperor Jones*.

An Italian director, Paola Madjeli, produced *King Lear* with Ljubo Tadic, an able "Shakespearean actor" of 50, playing the ageing monarch like a ramrod Slavic chief thrown out of his fortress but still majestic in defiance. A national figure?

RONALD HOLLOWAY

SOCCER BY TREVOR BAILEY

Portsmouth keep drawing crowds

THERE WAS far more significance and entertainment in the match between Portsmouth and Huddersfield on Saturday than in most Fourth Division games. The two clubs, lying second and third in the table are also the most prolific scorers in the country with 140 league goals between them, while the gate of nearly 19,500 was higher than most in the Second Division, several in the First and served as a reminder of happier times when they were both members of the First Division.

This brought up the question of what were this pair, who both possess genuine pedigree, tradition and considerable support, doing in a division which contains so many members with no real future or past, who are simply drifting to nowhere on a stream of football mediocrity.

The average attendance at Fratton Park this season has been a remarkable 16,356. With numbers like that prepared to turn up to sample the comparatively simple fare served up in the bottom Division, one cannot help feeling that more than the usual number of mistakes must have been made for them to be there.

They certainly were involved in rather too many large and unproductive transfers during the 1970s which must have left financial problems. Portsmouth may not be First Division material, though the achievement of their neighbours, Southampton, who likewise have no close competition, suggest they could be.

Huddersfield, whose present home gates have almost doubled to the respectability of about 7,000, fall into the same category as many northern clubs with distinguished pasts such as Blackpool, Burnley, Sheffield Wednesday, Blackburn Rovers and Preston North End.

Once the maximum wage was lifted their days in the First Division were doomed, because in an era of falling gates and rising costs their basic population was not large enough to maintain the necessary figures and to produce a sufficient revenue from extra-curricular activities, while the surrounding catchment area was not only too small but also had to compete with big glamour clubs.

Portsmouth's convincing and deserved 4-1 victory over Huddersfield should provide some of the confidence they have lost in recent months. Until Christmas the club was showing the form and producing the results which suggested promotion, but they then struck a lean spell, especially away, and many of their home games were ending in draws. The surprising sale of their leading goal scorer, Garwood, can hardly have helped the situation. Although the manager defended his decision on the grounds that it provided him with the necessary cash to purchase Garner, who on Saturday gave solidarity to the rearguard, one was left wondering why this defect was not realised before the start of the season. There is always a shortage of goal scorers, but there are plenty of adequate second centre-backs on the market.

Despite Portsmouth's superiority in all departments, it could have been a different result if Sutton's shot had gone into the net instead of striking the crossbar when the score was 2—1. Shortly after the incident, Rogers, a graceful left-winger, conjured up the best goal of the match with a clever dribble and a defence-splitting pass, which Gregory, exceptionally tenacious and difficult to dispossess, converted. An own goal from an inspiring corner, a sharp opportunist effort by Gregory after a defensive lapse and a well taken Brisley shot completed the scoring for the home team, while Huddersfield had to be content with a Kindon penalty.

The Yorkshire side used a standard, rather unimaginative 4—4—2 formation, in which their two lead forwards Kindon—big, fast and awkward, who was recently bought for £50,000—and Robins created few problems, while their back four were in constant trouble.

After a diet of mainly First, Second and international football I found it very interesting watching two of the best Fourth Division teams, after Walsall, who surely could develop into something special. The largest difference lie in the higher proportion of unforced errors, the predictability of the patterns and a lack of originality. What has happened to the reverse pass?

Nevertheless, both clubs should attain their first objective—promotion. But they will need to improve if they are to make an impression in the Third Division, as neither appeared to be in the same class as Chester, for example.

RUGBY UNION BY PETER ROBBINS

Rosslyn Park veterans survive

ROSSLYN PARK are enjoying a good season in their centenary year and it was further enhanced by their John Player single-point victory against London Welsh on Saturday. The score was 16-15 to the Park at half time, and it remained so until the final whistle ended a game that had been intermittently exciting and frustrating.

The Park pack had more than its share of venerable gentlemen—six have played together for seven years. This gave them excellent mutual understanding. Barlow, Hinton and Rodgers have clearly benefited from playing fewer games this season.

The Welsh started so explosively that one wondered if Park could last such a withering pace. The fact that they did was proof of their fitness and of the feckless way in which the Welsh passed up their chances.

Bennett began most promisingly and, of course, his kicking contribution of three penalties and a conversion had a great impact. Yet it was his other kicking that let him down after about half-an-hour. He began to miss his touches and allowed Park to counter-attack fiercely through Anderson and Tiddy. Later his tactical kicking became inaccurate and he had moments of temporary amnesia about his three-quarters.

It will be quite wrong to pin the major share of blame on Bennett, because there were problems between Lewis, the number eight and Pritchard, the scrum-half. Park slewed the Welsh on their heel and Lewis was not strong enough to pick up and give the ball cleanly to Pritchard. Certainly the Welsh need to tidy that particular area.

With the Welsh desperately attacking in the second half there were some far-ranging mistakes in captaincy. First, a firm stand should have been taken against the frolics of props Deacon and Davey, who ran incredibly quickly around the fringes conveniently into the willing Park defence. Second, the Welsh were awarded a series of penalties late in the game which they chose to run rather than make ground by kicking to touch. These were snuffed out and the Welsh were able to put the Park under pressure only at a distance.

The effect of bringing the ball back inside was to deprive their superior backs of any constant possession. Rees came flying through from full-back once, and Shanklin made a break reminiscent of his international days, but by and large the progress was natural rather than forward. It was scant reward for the tremendous efforts of Roberts and Howcroft in the second row.

While the Welsh were whizzing round Park kept their cool and played a limited brand of rugby which they will need to expand to make progress in the competition. The return of Hinton and Rodgers had added validity to the scrummage and the channelling of the ball was very good. Ackford, highly praised by the All Blacks this year, has massive potential but lacks experience and bulk. Both should come in due course, along with international honours.

Keith Roach and Cullen were not always in harmony at the foot-in but the good heeling allowed Ripley to set up various moves with Cullen and Johnson. In fact, the Park back row was a major factor in their success because Ripley took a lot on in attack. A long solo run with that gargantuan stride was vintage Ripley, whose style and attitude to the game makes him one of the last Corinthians.

The other two back-row forwards played it tighter with Mantell scything down the big Welsh forwards at the ankle—a rare sight these days. Johnson grubbed for the ball effectively and did some splendid defensive work.

And it was indeed solid defence that won the game for the Park, not just around the edge of the broken play but in the centre where Thornton Greenhalgh and Warfield did some timely tackling. Warfield clearly enjoys playing flyhalf and sensibly he did not attempt to pass the ball from the set pieces. That may have been acceptable for this particular game but Park will have to use their excellent wings Tiddy and McKay much more frequently in the later rounds. Anderson prodded his colleagues with some good counter-attacking and it took some excellent defence by the Welsh's right wing Tiddy to keep out McKay.

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Steelmen look to Europe

AN IMPRESSION has been gaining ground that the EEC, or more specifically, the European Commission in Brussels, is about to step into the British steel dispute. The idea seems to have caught on that the Commission may be able to rush in as a mediator where the Government fears to tread. At the end of last week, following visits to Brussels by both management and unions, a series of new talks was announced that would involve the Commission with the two sides in a three-way dialogue. Both parties apparently felt they had got their point successfully across to the Eurocrats.

Deus ex machina

It would be quite wrong, however, to think that the Commission is about to appear as a deus ex machina to solve British Steel's problems just before the final curtain. The Commission, it is true, has agreed to talks. With management, it is going to investigate how far BSC's retrenchment plans fit in with the overall programme for restructuring the European steel industry put forward by Viscount Etienne Davignon, the Industry Commissioner. With the unions, it will be discussing how Community funds could help in cushioning the social problems caused by the planned rundown of the British steel industry.

It is as well to be clear, however, about what the Commission is not going to do. In the first place, it is not going to get involved in any negotiations over ending the strike or in arguments over pay levels. Nor is it intending to advise the British Steel Corporation over which plants it thinks should be closed and which kept open. The two main elements in the dispute, wages and closures, will continue to be matters to be settled between management and unions through traditional negotiating procedures. The Commission is not a European version of ACAS.

Two main roles

The Commission, wearing its European Coal and Steel Community (ECSC) hat, has two main roles. The first is to encourage the modernisation of the coal and steel industries through loans for new investment. Over the years it has helped to streamline, for example, the French and Belgian coal industries, and between 1973 and 1977 it lent £366m to the British steel industry to help it modernise production and invest in cost-saving equipment and techniques. The second function is to alleviate the consequences of running down outdated or uneconomic capacity, with the inevitable job losses. In this capacity, the ECSC played a major role in cushioning the disappearance of the Dutch coal industry. At the time, that was regarded as a major success story.

In the current British steel dispute, the Commission is concentrating on the second of these two roles. ECSC loans for new investment in the British steel industry stopped in 1977 when the full realisation of the extent of Europe's over-capacity began to sink home. If the British Steel Corporation were to ask for new loans to modernise its production, such a request would doubtless be considered by the Commission. But any funds that may be currently under consideration in Brussels are intended to ease the pain of the rundown, not to prevent it. Grants could be available for re-training redundant workers, giving them early pensions or helping them move to other areas. Loans could be available, at subsidised interest rates for reconverting the industry into other forms of activity. Indeed the UK has drawn fairly heavily on both these facilities in recent years.

Competitive

There seems to be little justification for claims that the UK has not exploited these sources of finance to the full in the past, claims that have been heard quite regularly in recent weeks. The problem seems rather to be over plans for new Community funds for the European steel industry—£50m over several years has been mentioned—about which Mrs. Thatcher's Government is not over-enthusiastic. The difficulty is that such funds would only be available to countries that were prepared to match them with a similar contribution from their own exchequers.

But even these funds would be devoted to aiding the rundown rather than halting it. The aims of the Commission's industrial policy are to encourage the creation of leaner, more competitive industries, whether in steel or ship-building, not to prolong inefficient operations or excess capacities. European funds are not going to save individual steel plants in the UK. They may, however, help to promote the adjustment process that, sooner or later, is going to be inevitable.

No oil price unity yet

AT LAST, after 21 months of deliberation, the Organisation of Petroleum Exporting Countries' top-level ministerial committee has drawn up its report aimed at laying down a long-term strategy for the oil producers. Amongst its more important proposals is known to be one for regular and automatic price increases calculated according to world inflation, currency fluctuations and — to ensure an appreciation of revenues in real terms — the average economic growth rate of members of the Organisation for Economic Co-operation and Development.

Both producers and consumers, it is argued, would benefit from the introduction of a formula enabling them to anticipate the scale of oil price rises, thus doing away with uncertainty about the arbitrary compromises of the past.

Caracas failure

There is, however, an almost embarrassing irony in the fact that the committee should be solemnly making such a recommendation at a time when prices are in greater disarray than ever. At the last ministerial conference in Caracas in December some members, notably Saudi Arabia and Venezuela, made strenuous efforts to bring prices into line. They foundered mainly over disagreement over the permissible size of differentials in respect of gravity, quality and proximity to markets. But underlying the dispute on this issue there was an apparent reluctance on the part of some producers to acquiesce in any system preventing them from obtaining the maximum that the market could bear.

Then it was suggested that surplus production might create the conditions for agreement on a unified price structure by the end of the first quarter of 1980. Inventories are already at a record level thanks to heavy stock building towards the end of last year and the mild winter. The indications are that production is still running well ahead of demand. Some non-OPEC producers have already been forced to trim demands based on spot market rates. Yet having earlier held out hopes of compromise by the spring the three leading ministers attending the final session of OPEC's long-term strategy committee talked in terms of the time being ripe by mid-summer.

The past year has shown the limited extent to which oil prices are affected by simple laws of supply and demand. In 1979 total output of OPEC members was up by 3 per cent and total non-Communist production by 4 per cent thanks to the increased flow from Mexico and the North Sea. The rise in consumption was less, but on average prices more than doubled. So far this year output has probably been running at 1m barrels a day above demand, according to the estimates of the International Energy Agency. Yet following Saudi Arabia's decision to raise its price by \$2 a barrel to \$26, a move towards price unification, other producers responded in kind and have met no resistance from buyers.

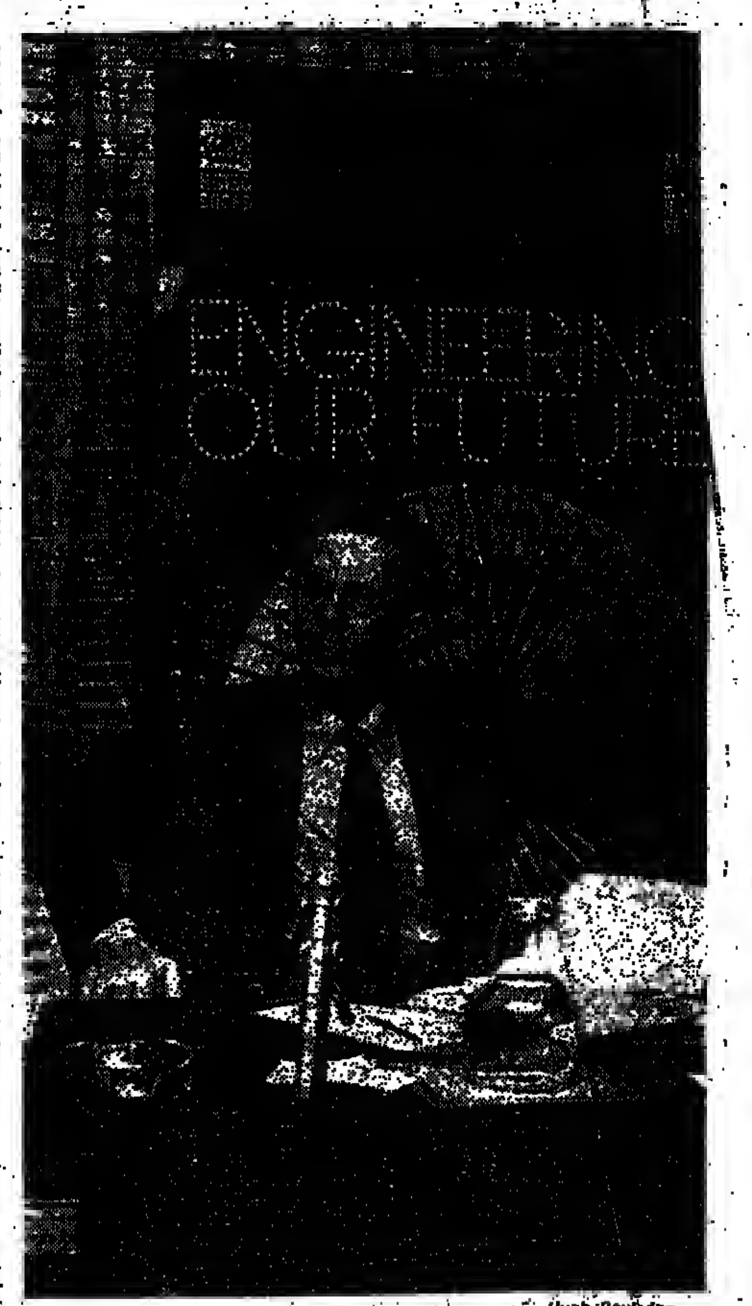
Anxiety about supplies

This apparent paradox can be explained partly by changes in the pattern of world wide oil distribution, not least the reduced role of the international oil companies and the growing volume of direct sales by the producers. Another equally important factor has been continuing anxiety about supplies and access to them. By June or even earlier there may be downward pressure on the top-tier prices. With the much higher per barrel revenues achieved since 1978, however, producers such as Libya and Algeria are in a position to cut output to maintain asking rates. Any reasonable unification of the price structure would involve raising the basic price and reducing those of the premium crudes which producers will be most unwilling to contemplate.

Meanwhile, in the context of the trend to conserving oil reserves, highlighted by Kuwait's decision to cut its output by more than a quarter from April, the surplus accounting for only about 2 per cent of global consumption must be regarded as a modest, short term one. Even with full stocks, it will by no means ensure a basis for a return to a single-tier pricing system.

Talking to John Elliott, Industrial Editor, Sir Keith Joseph sets out his ideas on industry

A rather unworldly politician sticks to his creed



Hugh Routledge

"I CAME into politics because of a concern for what is now called 'welfare,' with an interest in the social services, and I have more and more learned that welfare and jobs and such things depend on a strong industrial base."

With this simple declaration, Sir Keith Joseph explains why he is convinced, after nine months as Industry Secretary, and after nearly two months of the national steel strike, that his policies of disengagement from industry and strong monetary controls are the right solution for Britain.

He is showing no signs of budging from his basic philosophy. His faith in his arguments has not been weakened, despite the controversy caused by the steel strike and the opposition of some other senior Ministers to his single-minded approach. Indeed some of his civil servants believe he is now showing more signs of strength and conviction than in his early days at the Industry Department.

Last October he was described as "one of the most original and brilliant minds in our party" by the chairman of the Conservative Party's annual conference, who later added to rapturous applause: "You are the man who wins our arguments for us."

No change in views

Today, with industry sliding into recession and with the political and industrial consequences of the steel strike staring the Government in the face, many people might expect Sir Keith to be revising his arguments.

But he is not doing so. "There is no change in my views," he declares. He rebuts suggestions that his policies are cruel to the steelworkers who have been asked to accept low pay rises as well as massive redundancies and says: "The real cruelty would be to give them the taxpayers' money and deny it to the social services and to the taxpayers themselves—that's where the real cruelty would lie."

Some of his fellow Ministers now seem almost resigned to the steel strike continuing for another month or so, and fear that it might then lead to a Suez-style crisis, with the Conservative Party tearing itself apart in trying to decide whether to back down in the face of a massive confrontation with the unions. But Sir Keith says simply: "I have no idea how long the strike will go on," and adds that it will only end "when it solves itself by the unions accepting a settlement that British Steel can afford."

Sweeping aside suggestions that a financial reconstruction might be brought forward to help a settlement, and that the corporation will not be able to break even because of the problems it will face after the strike, he says: "There will be a financial reconstruction but not before they're profitable." He acknowledges that the increase in steel imports being obtained by companies to keep their production lines going will make matters worse the longer the strike continues, but rejects any intervention: "It would be no kindness to the steelworkers to bend the rules."

He believes that any use of government authority to try to end the strike would only lead to "beer and sandwiches" conciliation, with the Government relaxing its financial requirements. Thus he sees no role for the Government in trying to help the Corporation manage the strategy and the tactics of the dispute, and insists that Cabinet Ministers are not vetting the corporation's pay offers.

In some ways this hard line comes as a surprise when one has watched Sir Keith being highly pragmatic (and sometimes too soft for Mrs. Margaret Thatcher's liking) on issues like shipbuilding, aerospace nationalisation, the National Enterprise Board, and industrial aid. Sir Keith, however, believes he is consistent. He says he is not being any harder on the steel industry than on his other two main problem areas suffering heavy redundancies—British Shipbuilders and BL. "In each case the industry or company is required by the Government to become competitive, and this has led to the slimming proposals produced by the managements at something like the same proportionate order of magnitude. The Government has not suggested, let alone required, any particular slimming. What the Government has required is that industry becomes competitive."

Although this answer dodges the fact that shipbuilding has been given twice as long as steel to become profitable, it still underlines the basic policy. Sir Keith is also worried that the "several dragons in BL's path" will upset the motor company's future and that the shipbuilding industry, despite its good labour relations, will fail to make the productivity improvements that are essential for its survival. His remarks make it clear he would want to stand as firm on these businesses as he is on steel.

Changes in plans

Yet Sir Keith has shown more pragmatism on other issues. Plans for selling off profitable sections of the aerospace and shipbuilding industries were abandoned last year for practical reasons, and were substituted by the "privatisation" of British Aerospace whereby about 50 per cent of its shares will be sold to the private sector soon. The expected shipbuilding cuts were less drastic than had been expected, while the National Enterprise Board has been kept in being with a wider brief than Conservative Party policy makers had intended before the election. Regional aid is only being slimmed down slowly, and existing industrial aid schemes have been allowed to run their course.

Sir Keith says he has only accepted the need to make these policy decisions on a temporary basis. He refuses to accept the logic that, if he is prepared to go along with this amount of direct intervention in industry, he should be prepared to take more short-term measures to help industry as a whole to survive the next two years' severe economic and financial problems.

"I don't think the Government can do anything for industry in general except create the right framework on taxation, reducing inflation, interest rates, public spending, trade union law, other regulations and matters such as planning procedures" he declares. He also draws a sharp distinction, which his critics cannot see between direct industrial intervention and other policies affecting industry, such as competition, EEC activities, ECGD export support, and overseas trade negotiations, which he dismisses airily as "Board of Trade stuff." He refuses to acknowledge that it is illogical for a government that does so much to adopt a doctrinaire opposition to intervention in other areas.

The main point here is that Sir Keith is showing little or no interest in introducing initiatives to deal with the short-term detailed problems of industry, or with the general issue of how far British companies can be allowed to decline as part of the gradual process of "de-industrialisation."

On macro-economic policy he regrets that the level of public spending and borrowing cannot be cut fast enough to bring down interest rates, so sparing the private sector the worst rigours of the battle against inflation. He recognises that this is putting extra, and potentially unbearable, pressure on otherwise sound companies—but sees it as a necessary means to his end. "It is inevitable that the process of rescuing British industry cannot be done without some disadvantages and damage," he declares.

He has also allowed a selective investment scheme aimed at attracting foreign projects into the UK to continue, but sees no scope for more of the type of scheme introduced by the Labour Government to try to re-invigorate individual sectors of industry. He has refused to sanction a scheme to encourage the development of opto-electronics and, at the behest of Mrs. Thatcher, has trimmed aid for micro-electronics (and is still considering the future of the NEB's INMOS micro chip venture).

It is worth noting, however, that those of Sir Keith's senior civil servants who revelled under the last Government in designing the sectoral aid schemes would have been at something of a loss about what to do next, if Labour had stayed in power. There were outline plans to provide more help for electronics and energy conservation, and, possibly, fishing, which might have helped the now-doomed port of Hull. But there was no sectoral aid strategy in the Industry Department for manufacturing companies in general, and there were also plenty of critics of the whole idea of the schemes.

Just as Sir Keith disapproves of such intervention, so he has yet to be persuaded that there is a value in hundreds of civil servants monitoring different industries from Whitehall and from the National Economic Development Office. Sir Geoffrey Howe is far more enthusiastic about the NEDO sector working party system of building industrial consensus than is Sir Keith.

His only concession for such companies so far has been to agree that, when the selective aid schemes started by the last Government expire, the funds for product and process development should continue. The intention is to encourage companies to go ahead with research and development schemes, despite the low level of profitability.

The matters which concern him more—and which he would far prefer to spend time discussing—are his longer term reforms. These include breaking the monopoly of the Post Office, taking private capital into State businesses like aerospace, encouraging financial institutions to invest in small companies, and improving the system of public purchasing.

Outline policy paper

He is especially interested in public purchasing—or "intelligent clientship" as he has called it—and has just obtained Treasury approval for an outline policy paper that will now be developed into specific initiatives over the next few months. The idea is to use public sector projects to enable private sector companies to develop goods that can be exported, as the Coal Board has done with mining machinery. Other examples include the Ministry of Defence procurement agency's activities, and the Post Office's recent development agency's activities, and communications area. "We shall have to choose the most promising combinations of buyer and purchaser," says Sir Keith, adding in order to allay EEC fears that the UK might be about to launch an unfair "Buy British" campaign: "The policy will of course operate within our international obligations."

His initiatives on small firms are equally long term in that they will not have any significant impact on employment levels, or on industrial [illegible], for some time. He is showing little enthusiasm for a small firms' bank loan guarantee scheme, but instead is urging pension funds and other City institutions to increase their investments. A lot of work is also taking place on other initiatives, including the provision of very small factory workshops. Despite his predilection for slimming down State agencies, he has agreed to the expansion of his Department's small firms counselling service.

Ultimately Sir Keith would like the work of his department to dwindle to a size where it could be merged with Mr. John Nott's Trade Department, which itself is directly involved in industry. (Its study of the taxation changes which may be needed to make it easier for companies to unscramble mergers could, for example, have a more important impact on the structure of industry than some of Sir Keith's initiatives.)

For some time therefore the Industry Department will remain in being, inevitably harbouring civil servants of all levels of seniority who preferred life under the more interventionist Labour Government. But while some civil servants dubbed him the Ayatollah last year, (his Westminster nickname is the Mad Monk), Sir Keith has won respect for the intellect he brings to his work and for the quality of argument—and advice he requires of his officials. So while they may not be able to exert the direct influence over industrial affairs that some of them would like (for example in matters such as the Racal-Decca-GEC battle), civil servants have the compensation of a Secretary of State who holds a significant position in the Government.

But because of his intellectual approach, Sir Keith often gives the impression of a man searching after eternal truths who would prefer not to be diverted by the day to day problems. He would rather encourage the entrepreneurial, devise ways of reversing what he calls Britain's "anti-enterprise culture," and explore the true nature of de-industrialisation, than attend to the specific worries of ordinary manufacturing companies and their managers. This somewhat unworldly approach means that the Government is short of someone able to publicise its policies for industry effectively because Sir Keith's deep convictions and philosophy are not the stuff of which popular politics is made.

MEN AND MATTERS

Golden goose takes flight

The Libyan Government's decision—amid accusations of "fleecing"—to cut off the torrent of patients coming to Britain for treatment has raised few eyebrows in Harley Street. The Libyan People's Bureau in London claims to have spent, over the last 16 months, £50m on having 4,000 of its nationals treated. "They may have run up debts of £50m," says one eminent gynaecologist, "but *spent* . . . ? (She is not alone in refusing to treat Libyan embassy patients: the Libyans for their part claim their tardiness in paying—there have been complaints of two-year delays—is due to the sheer volume of paper work, not helped by doctors putting in reminders which look like fresh invoices.)

But while companies such as American Medical, owners of the Harley Street Clinic, are still able to charge well over £100 a day for a room, there is no doubt that the bonanza of mass private treatment of Arab nationals in London is over.

Wimpole Street cardiac surgeon John Wright estimates that patients from the Middle East, whether private or government-financed, have fallen by 75 per cent in the last two years. "I read the papers," he says, when questioned about the allegations of sharp practices: "It probably happens, like taxi drivers over-charging, but I have no personal knowledge of it. Probably the main reason for the smaller number of patients is that the Gulf states are building new hospitals."

The Libyan patients are not, however, going home. They are going to Germany, Italy, Spain, and as far afield as Poland and Yugoslavia. And despite grandiose new hospitals in Saudi Arabia, large numbers of Saudi nationals are still being treated abroad. As with all the other Arab states, the number coming to London has fallen to a trickle. Saudi eye patients now go to Spain, others to Germany, and a number to the U.S.—which must say *something* about Harley Street fees.

"Another of Heseltine's bright ideas."

"No one is saying Harley Street is incompetent," a source close to the Saudi embassy tells me, "but, well, they just feel they like to strike a hard bargain."

Departing poppet

The revolution is once again being felt within the Tehran Intercontinental. Already deprived of access to its \$1m-worth of wine and spirits—poured down the drains last year—the clientele is now being subjected to astonishingly slow service, no doubt of revolutionary origin.

Waiters may have been encouraged by newspaper reports that the place, described as "a pleasure den," is the haunt of spies, enemies of humanity, and kindred spooks, and that the two managers are *American*. The staff has taken to glueing posters all over the hotel with the legend: "We do not need foreign management and look on you as a poppet (*sic*). Therefore get lost as soon as possible." One of the managers (they are actually German and Irish) has taken this advice and is moving to a less troublesome spot on the Gulf.

Serving chips

Now that "chips with everything" is settling down to its non-culinary meaning, one tends to assume that the leisure boom —feared or welcomed since about 1947—really is just around the corner.

It is therefore vaguely disheartening to learn from the president of Mead Data, a New York data processing company, that things are not quite like that. Jerry Rubin ("I used to get a lot of funny calls: I'm a different Rubin—I wear shoes") confesses that his Lexis service, giving lawyers computerised access to the full texts of court cases and other information, involves the use of armies of typists.

While no doubt "redeeming the lawyer from drudgery," as Rubin claims, Lexis has so far involved the conventional typing out on to computer tape of more than 10,000 volumes. The system includes the annual reports of 000 companies, similar . out.

The . to some extent done . .S. and Britain, but mo. is farmed out to the Far East — Indian typists are said to give the best value for money. More work is coming their way soon. Rubin has negotiated the rights to syndicate over ten years' worth of Reuters and the Economist, along with the output of four other newspapers and agencies. More negotiations are in the offing.

"We use some tapes, when the materials have been set using photocomposition, and the tapes have not been lost. Otherwise," says Rubin in embarrassed tones, "they have to be copied out . . . I know it's a rather ironic situation." All kinds of scanner have been investigated, but those that worked reasonably accurately proved far more expensive than a Korean copy typist. One day, perhaps, just such a lady will smile wanly as she retypes these very same words.

New boots

The past few days have seen David Jessel, deputy chairman of Eagle Star Insurance, trying on for size the gumboots just vacated by Alan Shaw, chairman of the Intervention Board for Agricultural Produce. This is the government agency which spends much of its efforts on building and dismantling mountains of surplus butter, beef, and cereals.

Peter Walker, Minister of Agriculture, obviously has few doubts that the boots will fit nicely. Himself a City operator of some reputation, Walker has known Jessel for around 20 years. His choice indicates once again that he intends to inject a strong dose of professionalism into the management of the farm industry.

While it operated smoothly enough under Shaw, the intervention board never quite matched the aggressive efficiency of its European counterparts.

Floating vicar

The outgoing Archbishop of Canterbury, Donald Coggan, will be remembered, if for nothing else, for a curious conversation he is alleged to have had with a child during one of his walkabouts.

Child: Was you on the Ark?

Coggan: Well, er, no.

Child (suspiciously): How come you wasn't drowned then?

Raw material

Overheard at a Sandhurst cocktail party: "Nothing wrong with the Welsh—make damned fine soldiers under white officers."

Observer

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KUWAIT

Kuwait's accumulation of $40bn in foreign assets is one explanation for the somewhat bland and complacent facade of the little State which now boasts the highest per capita income in the world. But behind the facade it is not difficult to detect uncertainty and nervousness, due, in part, to the upheavals in Iran.

The Ruler's Palace, Kuwait

A State awash with money

By Richard Johns
Middle East Editor

IN WINTER, Kuwait can be chilled to the bone by the northerly winds blowing down from the snowy mountains of the Caucasus. To an unitiated and uniformed businessman arriving in a lightweight suit, the blasts can come as a surprise. This year it would be all too easy for a newcomer to see a bleak symbolism in this climatic phenomenon.

Physically, Kuwait is a small and vulnerable State in contrast to its oil-generated wealth that is reckoned to give it the highest per capita income in the world. But it shows little indication of shivering at the cold turbulence in the region arising from the Soviet Union's intervention in Afghanistan that has, for instance, so much discomfited Saudi Arabia. Kuwait seems so detached from it all that the Russian troops might be on the other side of the moon, rather than only 1,000 or so miles away.

Kuwait's seemingly complacent attitude might be regarded as showing a lack of reality on the part of a conservative State, ruled for the past two centuries and a quarter by a dynasty that is generally renowned for both moderation and wisdom. However, it is understandable enough within the perspectives of Kuwait's history and position in the Arab world.

Since the migration from the heartland of Arabia with a dozen or so other families who constitute the aristocracy of the Sheikhdom and the establishment of a modest trading centre at the head of the Gulf, the Al Sabahs have had to tread a careful path to preserve the integrity of Kuwait. It was generally successful in thwarting Ottoman rule. Then, in 1914, Kuwait came under the protection of Britain which was responsible for its defence until 1961. No sooner had Kuwait achieved fully independent statehood than Iraq attempted to annex it.

Apprehensions

For many years, Kuwait was dominated by apprehensions about the radical Arab States, not the least because of the presence of its own large Palestinian minority. The proximity of Baathist Iraq, with its long-term commitment to export revolution and bring about the permanent merger of States, has always been a source unease — and also of accute anxiety when, seven years ago, its forces violated Kuwaiti territory in the pursuit of a still unresolved territorials campaign.

Nevertheless, Kuwait quickly established itself as a respected member of the Arab community of States in a process helped by its generous disbursement of project aid. It has sought security through identifying itself — and, increasingly, helping to promote through quiet diplomacy — pan-Arab consensus and taking a prudent middle-of-road course. Conversely, it feels most uncomfortable when the Arab world is divided or polarised.

In its espousal of the Palestinian cause, however, Kuwait has been "purer than pure." What may, in origin, have been partly motivated by expedience is now a matter of conviction. Thus, even left to itself, the State would have rejected the Egyptian-Israeli Peace Treaty and, in doing so, it underwent the misgivings suffered by the Saudi Ruling hierarchy.

Both at the UN and at the recent Islamic Conference, it condemned the Soviet occupation of Afghanistan. But, two weeks ago, Sheikh Sabah al Ahmed al Sabah, foreign minister, left Mr. Donald McHenry, U.S. Ambassador at the UN, in no doubt that, for Kuwait, Palestine was as important as Afghanistan.

Mr. Abdel-Aziz Hussein, Minister of State, was speaking the truth and for his fellow citizens when he said: "The crisis of Afghanistan should not divert our attention from the real problem. Jerusalem is much more sacred to us than Kabul."

Kuwait feels that its security is best assured by an Arab-Israeli settlement, satisfying Palestinian aspirations, and a non-aligned position as regards super-power rivalry. Thus, it was quick to endorse Iraq's pan-Arab charter, rejecting outside intervention in the Arab world.

Earlier this month, meanwhile, it publicised some military manoeuvres and the firing of Soviet-made Luna missiles. This first acknowledgement of Kuwait's possession of the weapon (which it has had in its armoury for over a year) seemed calculated to demonstrate its neutrality. Kuwait has a well-equipped army and air force, otherwise almost totally supplied by the U.S., UK and France, though, by all accounts, the command and officer corps are of dubious quality.

Demonstration

Basically, what has been expected of them is no more than to slow down an aggressor long enough for diplomacy to come to Kuwait's aid. The implied threat was always from Iraq, but ministers and officials now quite genuinely believe Israel to be the prime potential enemy, because of Kuwait's support for the Palestinian cause and the possibility of it being forced to unsheath the oil weapon again.

With Iraq now taking the lead in opposing any outside interference in the Gulf and having renounced its unfriendly isolation, Kuwait feels as secure as ever within the Arab fold. Until recently, the moderate broker of compromise between militants and radicals within the Organisation of Petroleum Exporting Countries, Kuwait — without consulting Saudi Arabia—has twice in the past four months taken the lead in escalating oil prices that could be seen as a sign of new self—assertive confidence

With per-barrel revenues almost double what they were at the end of 1978, the strict limits imposed on its external expenditure, the Government may spend only a third of what it earns, during the coming year.

The shock caused by the freezing of Iranian assets by the US, and the general depreciation of its investment in the West, have intensified Kuwait's determination to deploy more of its surplus though investment in Arab and other developing countries

Accumulation of $35bn to $40bn in foreign assets is another explanation for Kuwait's somewhat bland and complacent facade. Behind it, however, it is not difficult to detect uncertainty and nervousness. Far more disturbing have been the Iranian revolution and, to a lesser extent, the seizure of the Grand Mosque in Mecca last November. The students' capture of the U.S. Embassy in Tehran and the holding of the American hostages there, in itself, led to a flight of capital, though it is impossible to quantify the amount.

In general, the upheaval in the name of Islam was bound to be a source of concern because at least 20 per cent—and probably as much as 30 per cent—of the Kuwait population helongs to the Shi'ite sect. Most of them are people of Iranian origin or Persian expatriates.

Inflammatory preaching by Hujatoleslam Sayyed Abbas al Mahri, who was acting under the instructions of Ayatollah Khomeini, brought the Iranian foment to Kuwait last September. The authorities' expulsion of the seditious priest and his family, despite his Kuwaiti citizenship, had a salutory effect on the Shi'ite community.

The march on the U.S. Embassy, two months later, was easily dispersed but was a hardly reassuring event.

Kuwait has tried hard to come to terms and make friends with Khomeini's Iran—a task not eased by Iraq's hostility to it and, understandably the Kuwaiti Government and most citizens have not appreciated Iranian calls to overthrow the traditionalist Saudi regime. The emergence of Mr. Abol-Hassan Bani-Sadr as President of Iran has been greeted with some relief.

Islamic revival

Islamic resurgence has made itself felt among the Sunni majority and has been reflected in more devout observance. Last autumn, religious elements displaced "progressive" Arab nationalists to become the majority on the elected students' council at Kuwait university for the first time. No real conclusion can be drawn from the fact that Juhaymen Otaibi, the organiser of the attack on the Grand Mosque, had recently spent much time in Kuwait — except that the State is a tolerant one — or the execution of three Kuwaitis for their part in the operation. The authorities had more reason to take seriously Mr. Abdullah Nafisi, a former member of the National Assembly, who was stripped of his post at the University and his passport was withdrawn because of his criticism of the established order.

The latter was returned to him when he organised a mass march to the Saudi border proclaiming that Islam knew no frontiers.

Now in exile, Mr. Nasifi had been persuading the religious revivalists to take more interest in political, rather than strictly moral issues, and also to find more common ground with the opposition represented by the Arab Nationalist Movement. The former have focussed criticism on the Saudi Royal family, rather than Kuwait's paternalistic and benevolent dynasty which has always kept a low profile, avoided ostentation and kept out of business. Members of the Arab National Movement could be described as Liberal Democrats, with a more pronounced concern about social justice (for expatriates, as well as Kuwaitis), and identification with "progressive Arab regimes."

The evidence is that the main political interest of the majority of Kuwaiti citizens, preoccupied with making money or living in comfortable indolence afforded by the welfare state, is the protection and enhancement of their own material interests.

Just two years after his accession, Sheikh Jaber al Ahmed al Sabah, the Ruler,

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BASIC STATISTICS

Area	6,800 square miles
Population	1.2m
GNP	KD 3,672m
Per Caput	KD 3,464
Trade (1978) Imports	KD 1,268.8m
Exports	KD 2,867.3m
Imports from UK	£332.2m
Exports to UK	£621.5m
Currency: Kuwait dinar:	£1=0.626

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The pressures of inflation have been reduced

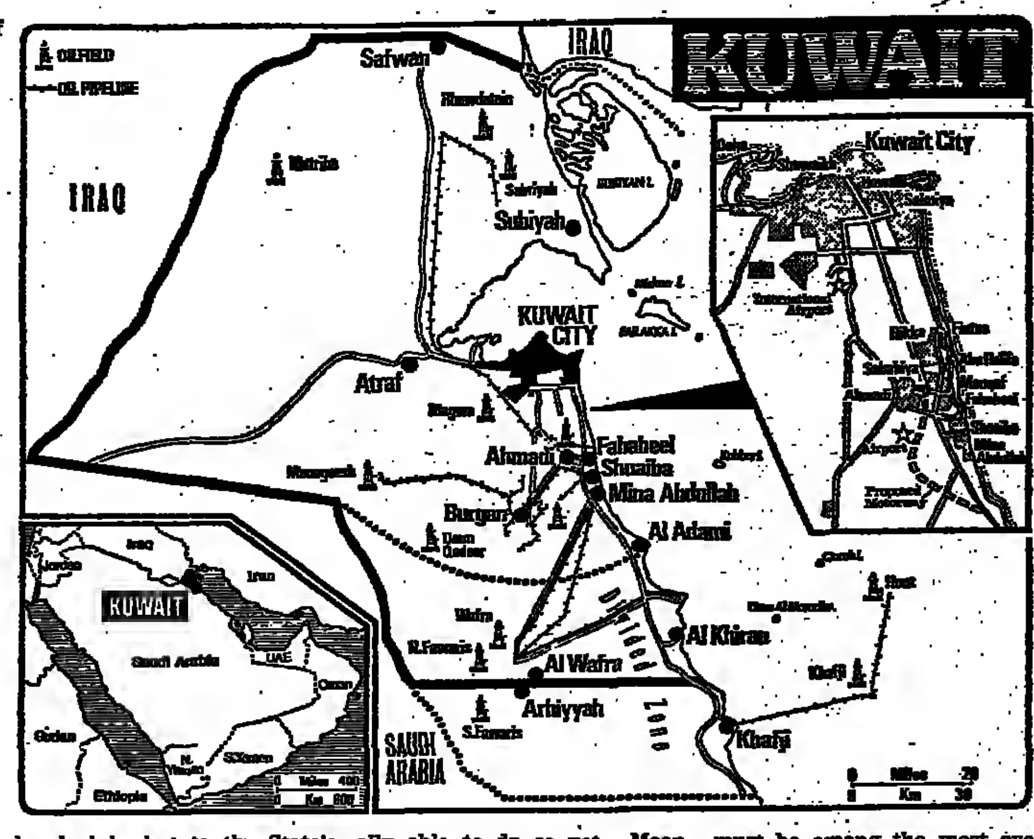
THE AVERAGE Kuwaiti, if such a person existed and he was aware of the report in question, would not have been impressed by the World Bank's recently published calculation that the State is top of the global league, in terms of per capita income. At $14,900, the figure was slightly above those for the United Arab Emirates and Qatar, two other oil producers with smaller populations, but less diversified economies.

It does not take into account the 125 per cent rise in the basic price of Kuwait's oil since the beginning of 1979. The lead, established in 1978, is likely to have been consolidated last year.

Yet there has been no dramatic increase in the wealth or standard of living of the State's citizenry. Any anomaly apparent at first sight is easily explained by the fact that revenues have for the past seven years exceeded absorptive capacity, even when they declined in real terms in 1977-78.

For the foreseeable future, the State's financial surplus will be bigger than ever. But, as in the past few years, the proportion of national income at the disposal of the people will fall despite a continuation of the time-honoured policy of distributing as much as possible. Kuwait has no choice but to save the greater part of its income.

Oil continues to be the massively predominant factor in Kuwait's economy. Currently it accounts for rather more than three-quarters of GDP and foreign exchange earnings. Excluding investment income, which must now be running at over KD 1bn a year and is all



ploughed back into the State's reserves, petroleum provides more than 95 per cent of revenue. As much as ever, domestic expenditure is the factor governing the greater part of economic activity and providing liquidity to the economy.

As a result of the progressive price increments last year, petroleum and gas revenues would have increased from rather less than $10bn in 1978 to an estimated $16-17bn in 1979. The unscheduled escalation since the summer of last year has been such as to make nonsense of the projections in the budget for the 1979-80 fiscal year that began last year.

This foresaw revenue totalling KD 3.24bn, or $11.85bn at the present rate of exchange, of which KD 3.23bn was expected to come from oil and gas. Expenditure was set at only KD 2.25bn ($8.23bn). Kuwait may enjoy a surplus more than twice as much as it had expected during the 1979-80 financial year and perhaps as much as $10bn.

The Government, however, is no less committed to the tightest control of public expenditure in its continuing fight against inflation. Strict discipline was first imposed in 1977-78 following the severe over-heating of the economy in the wake of the first oil price explosion and in line with the advice given by Professor Karl Schiller, the former West German Minister of Economics. In that year actual outlay was 10 per cent below projections. Appropriations in the 1979-80 budget were lower by 1.5 per cent in absolute terms and disbursements consumed only 90 per cent of them.

The 15 per cent rise in expenditure, anticipated for the current financial year, would only be a modest one in real terms.

Pay increases

Only last year did the Government award public servants, who constitute no less than half of the workforce, pay increases of up to 20 per cent—the first since 1974. Subsidies on basic foodstuffs and commodities have given only limited protection against inflation. Looking to the future, the Government has been thinking in terms of some form of taxation to diversify its resources and evolve another instrument with which to influence the economy. But clearly it does not feel politically able to do so yet. Meanwhile, control of public expenditure is the only fiscal tool in its hands.

Improved revenue terms achieved over the past 14 months will more than offset the cut in production from Kuwait's main fields from an average in the range of 2.1m-2.2m barrels a day to 1.5m b/d from April of this year.

The Government can argue with justification that in 1979 it maintained a flow far above what was dictated by its financial requirements.

Indeed, the rate has been a matter of some embarrassment to the Government with the conservation-minded public in mind. Now the probability is that even at the lower rate of output expenditure will consume little more than one-third of revenue.

Social strains

Policy aimed over the past two years at reducing inflationary pressures and easing social strains has inevitably slowed down the rate of economic growth and had implications for the private sector. Programmed budgeting has meant not only that the economy has cooled but that growth has slowed down almost to the point of stagnation.

Expansion of money supply was reduced from 35 per cent in 1976 to 24 per cent in 1977 and 22 per cent in 1978. In the process, inflation was reduced from a rate of something like 25 per cent or more to about 10-12 per cent.

Imports showed a decline of 9 per cent in value terms in 1978, according to Kuwaiti statistics, compared with a rate of 30-50 per cent before. None are available for 1979, but the returns from the State's leading trade partners indicate only a slight recovery. The impression given by Kuwaiti merchants is that there has been none at all.

Assumptions about fat and easy profits, engendered by the 1974-76 bonanza, still remain but have been frustrated at the result of Government spending restraints and the limited scope fo reinvestment at home. The turnover of KD 1.8bn on the Stock Exchange last year, compared with KD 1.4bn in 1978, was a record.

Trading was slack in the last quarter, however, as investors appeared to realise the risks of arily high price-earnings ratios, must be among the most overvalued in the world.

The possibility of a collapse of the sort that led the Government to support the market in 1977, at the cost of some KD 150m, canno be ruled out. Some investors may believe that it would again come to their rescue. But this is by no means certain—some, at least in the Government, seem opposed to another such exercise in paternalism. The real estate market is by no means moribund, but the prices reached on it seemed to have dampened down the speculative fever of previous years.

In this situation, Kuwaiti businessmen and investors—most of them fixated by the prospect of massive, easy profit-taking—have been focusing more attention abroad.

In 1978, there was a significant development—the Central Bank calculates that private transfers in that year were rather more than KD 1bn, compraed with about KD 850m in 1977. The outflow may have been more than twice as much in 1979 and reached flood proportions from the summer onwards. It led to the severe liquidity shortage in the banking system that is still being acutely felt.

Apprehension arising from instability in the region and, in particular, events in Iran have undoubtedly been one factor behind this phenomenon. But it has probably been the least of them. That much seems clearly indicated by the scale of funds offered for Gulf off-shore companies.

Only the speculative nature of many Kuwaiti investors can explain the interest in and heavy subscriptions for flotations bearing little or no promise of a high return or appreciation. By the end of October, no less than 15,000 Kuwaitis are believed to have gained a stake in the new entities.

The gold rush played its part, too. In the last quarter of 1979 it accounted for perhaps as much as 20 per cent of Kuwaiti speculation outside the State. But, undoubtedly, the low Kuwaiti interest rate compared with those prevailing elsewhere was responsible for the size of the drain. Following the dissolution of the National Assembly, which had resolutely opposed the lifting of the old 7½ per cent ceiling, the maximum was raised three years ago to 8½ per cent for loans of up to one year and 10 per cent for a year or more. It was hardly surprising that Kuwaitis should have sought higher returns elsewhere.

The exchange risk has been minimal because of the heavy weight given to the dollar in the basket of currencies — of which the mix is still a closely guarded secret — used for setting the exchange rate of the dinar. The extent of the heavy borrowing for speculative purposes can be seen from the 44 per cent increase to KD 2.10bn in the commercial banks' lending to the private sector in the 12 months up to last November.

At that point, deposits hardly exceeded advances having risen only 12 per cent over the same period. Heavy borrowing for speculative purposes has been the prime cause of the liquidity crisis. Commercial banks have found themselves paying more than the minimum lending rate to attract deposits.

To enable them to carry out normal trade financing with more confidence, the Central Bank has had to make available special swap and rediscount facilities.

Measures taken to stem the flow have only been partially successful and have betrayed some confusion on the part of the authorities as to what relationship Kuwait should have, as a capital market, with the region and the wider world. The decision to suspend dealings in the Gulf companies in Kuwait itself had little effect.

An extra-budgetary increase in spending on land acquisition, one of the traditional Kuwaiti methods of distributing the state's wealth, was meant to pump more liquidity into the economy but in effect provided more for speculation. The temporary halting of issues of KD-denominated bonds merely under-scored the fact that, with their low yield and the close linkage of the currency to the dollar, they do not look like an attractive investment, least of all to a Kuwaiti, and constitute a cheap loan to sellers.

In practice, it is believed that about half are held by the Ministry of Finance.

Interest rates

The instruction to the commercial banks to limit overdrafts and make loans for specific purposes only ignored the fact that their directors have regarded the institutions partly as a source of credit for speculative investment.

The Government has set its face against raising the ceiling on interest rates. Inhibitions on this score spring from both the religious taboos about usury and a paternalistic concern for less affluent tradesmen and citizens. However, Kuwait is out of line with the rest of the world and will continue to feel the strain until interest rates fall elsewhere.

For a state that looks upon money as a source of income and has so much skill in handling its own investments, there may appear to be, and probably is, an inconsistency in its attitude towards the liquidity crisis.

The lesson from it is that Kuwait is part of a wider global system and can hardly insulate itself from the wider world. In the same context, the Government (which has at its disposal up to $40bn in foreign assets) might ponder the effect that an ever-escalating oil price might have on its investments — but has shown no signs of doing so. Beyond that, the whole affair has served to emphasise the extent to which this small State is overflowing with money.

Richard Johns

Awash with money

CONTINUED FROM PREVIOUS PAGE

and the 18-member Cabinet, including seven members of the ruling family holding all the portfolios, except finance, appointed earlier this month a committee to revise the constitution and prepare the way for the restoration of the National Assembly.

The 50-man body has six months to submit its recommendations so making it technically possible to meet the deadline set for re-establishing the Legislature on a new basis. Kuwait's fourth Parliament was suspended mainly because of its perverse way in which it blocked important pieces of legislation and—more embarrassingly—its intrusions into foreign affairs, particularly the government's attitude towards Egyptian-Israeli disengagement agreement with Israel and the Lebanese civil war.

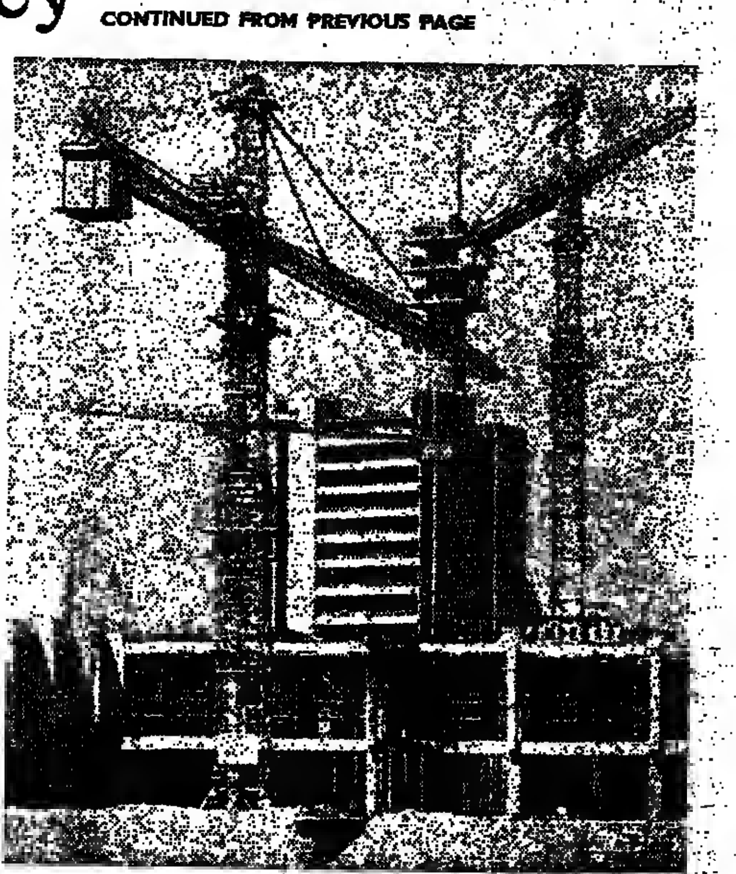
Kuwait has a long tradition of consultation between rulers and ruled. Pressure for the restoration of the Parliament has been growing. The old National Assembly was a lively body but something of a small exclusive club, chosen by electors from a total roll of only 60,000 male "first class" citizens—meaning those alive or descended from families resident in Kuwait in 1920.

Five members were chosen from ten constituencies under a system open to manipulation and influence. There were only three members of the Arab Nationalist Movement in the last Parliament but they could rally the support of a dozen or more others on specific issues.

The conservative-minded committee will consider lowering the voting age and female suffrage. The intention certainly is to curb the Assembly's powers to hold up legislation. The progressives fear other curbs.

Whatever changes are made, no one contemplates representation for Arab expatriates, many of whom have been residing in Kuwait for years and are Palestinians with no home to return to but cannot own property, have a lower standard of living than Kuwaiti equivalents and enjoy inferior social benefits. There has been talk, but there is little possibility of extending even "second-class" citizenship beyond the present minute quota limits. If anything, Kuwait will become more dependent on foreigners which make up 70 per cent of manpower.

The demographic problem is an intractable social one that could become political.



New building complex for Government ministries under construction in Kuwait city

Plans to modernise and expand oil refineries

KUWAIT HAS somehow managed to maintain a reputation in the industrialised world as one of the moderate members of OPEC while at the same time pursuing oil policies that often seem more radical than those of the so-called "radicals" in the group.

In 1979, Kuwait kicked off the "surcharge" system that led to the leapfrogging price rises during the first and second quarters of the year. It initiated the October price rise that led to the destruction of the OPEC price ceiling of $23.50 set at the mid-year meeting and it recently angered Saudi Arabia by adding another $2 to its prices shortly after the Saudis had done the same thing in an effort to reunify the OPEC pricing structure.

Last year, Kuwait sold as much as 600 to 700,000 tons a month of its heavy, sulphurous crude oil, or 7.5 per cent of its production, on the much maligned spot market for prices as high as $42 a barrel. To stop its contractural customers from doing the same, it slapped an $8 a barrel premium on oil it suspected they would sell at spot. In order to satisfy the world's desperate demand for crude and to take advantage of the high spot prices Kuwait produced an average of 2.2m barrels a day, *10 per cent above its 2m b/d production ceiling.*

Kuwait was the first OPEC member to set a ceiling on production, in effect warning the industrialised world that it would produce according to its needs, not theirs. The present ceiling *will* be lowered 25 per cent to 1.5m b/d on April 1. As part of this, the contractural amounts of Shell, BP and Gulf, totalling 1.3 to 1.4m b/d, *may be halved or cut even lower.*

While Kuwait has been busy planning its production decrease, it has been planning also an extensive exploration programme to increase its reserves which it says will already last a century at the 1.5m b/d production rate.

Finished products

The country is modernising and expanding its refineries so that by 1984 it will be able to sell about half its crude as finished products and reap the extra profits thereof. It now uses or processes for export all the gas associated with its crude production and has already paid for its $1bn LPG plant, which many in the industry thought would be a white elephant, after only one year of operation.

By 1984, Kuwaiti tankers, the largest Arab tanker fleet, will be carrying more than 45 per cent of Kuwait's crude production for export, about 60 per cent of its refined products and about 50 per cent of its export LPG.

Kuwait was one of the early OPEC members to nationalise its oil industry and last year completed that process by getting Shell to relinquish the concession it had for offshore Kuwait and by buying up the remaining shares in the Kuwait Oil Tankers Co. that were still in private hands.

Although Japan's Arabian Oil Co., the concessionaire in the offshore neutral zone that Kuwait shares with Saudi Arabia, has not yet been 100 per cent nationalised, Kuwait last year stopped selling back its equity crude to the company and began marketing the 120,000 b/d by itself.

AOC is understandably worried about its future and probably the only thing holding the Kuwaitis back from completing the nationalisation of its 50 per cent share in the concession area is that this must be done in consultation with Saudi Arabia, which has not yet nationalised any of its share in the concession area.

Although for years there has been lip service given in the Gulf to the idea of setting up joint ventures in the petroleum area in order to avoid unprofitable, overlapping projects, it was Kuwait and Bahrain last year that went ahead and did so, when they incorporated the Bahrain-Kuwait Petrochemical Industries at Bahrain to produce methanol and ammonia.

Kuwait apparently is planning more of such projects since the Kuwait oil minister, Sheikh Khalifa al-Sabah has said that the recent reorganisation of the oil sector under one umbrella corporation was to "rationalise the oil sector . . . to create a stronger organisation, both financially and administratively, to expand abroad and find good investment opportunities abroad."

The reorganisation of the oil sector was one of Mr. Abdel Muttaleb al-Kajim's pet projects, a scheme the former oil minister, who was not a member of the royal family as Sheikh Ali Khalifa's is, reportedly could not carry out because entrenched powers in the disparate oil companies feared the loss of their sinecures and resisted. Now, the companies—Kuwait National Petroleum, Kuwait Oil, Petrochemical Industries and the Kuwait Oil Tankers — have merged into the "Kuwait Petroleum Corporation" and their often overlapping functions separated into a refining division, a production and exploration division, a transportation division and a petrochemical division.

Also included is a separate marketing division, a function that was performed by the oil ministry. The streamlined corporation is capitalised at KD 1bn, or about $3.7bn.

Kuwait is apparently now set to fully exploit its oil sector. Sheikh Ali Khalifa said customers are waiting in line to buy Kuwait crude but now "customers will not just come in, pick up their barrels and pay the OPEC official price. They must make it interesting in regard to other things . . . somebody may present a refinery that is in a good position, somebody may present an exploration programme . . . somebody may present something that is completely off oil but which would interest the State of Kuwait (but), there has to be an added advantage for Kuwait somehow."

In hindsight, the price rise that OPEC voted for in 1979, an average of 10 per cent for the year but phased in over the four quarters, now seems minuscule. Kuwait's January 1 price for its 31 API crude was $12.83 a barrel, a 4.6 per cent rise over its official December, 1978, price. This was less than the 5 per cent OPEC-wide agreement because the organisation was trying to encourage customers to buy more heavy crudes and start steering away from the fast depleting light crudes.

Kuwait production was averaging 2.3m b/d and representatives of companies and governments who found themselves crude-short because of crisis in Iran were tramping through the Kuwait Oil Ministry, begging for supplies.

Kuwait agreed to sell BP and Shell an extra 50,000 b/d for the year to help them out but stipulated that the companies would not enjoy their usual discounts—15 cents less per barrel for BP and an extra 15 days credit for Shell—on the additional amount and would have to carry it in Kuwait tankers using Kuwaiti bunker fuel.

Gulf rejected the offer as too exhorbitant. As Kuwait's prices escalated over the year, the price for this supplemental crude soared and BP eventually backed out entirely.

In late January the spot price of Kuwait crude was about $16.50; by early February it was $18, and by late that month it was $20.

Premium added

In mid-February Abu Dhabi and Qatar added an average of $1 to their crude prices, explaining that this was a premium for the high quality of their light, low-sulphur crudes.

On February 21 Libya, which also produces a light, low-sulphur crude, added a 68 cent premium.

On February 26 Kuwait notified its customers that it was adding an extra $1.20 to its price, not for the quality of its crude, which is very low, but as a "surcharge" to reflect the scarcity of crude. The surcharge was necessary, it was said, because the oil companies were profiting handsomely during the tight market conditions from OPEC's "reasonableness" in pricing.

When the rest of OPEC, excluding Saudi Arabia, leaped on the surcharge bandwagon, with varying amounts, it was decided to call an OPEC "consultative" meeting in March to discuss the situation. The meeting voted to bring forward the originally agreed upon fourth-quarter prices to the second quarter and left members free to impose whatever surcharges they *deemed "profitable in the light of their own circumstances."*

By June the regular OPEC meeting Kuwait's price included a surcharge of $2.40, for a total of $16.40 a barrel, and it had warned its customers that it had added a "most favoured seller's clause" to its contracts so that, if it chose, it could automatically add a surcharge as high as any *within OPEC, which at* the time was Libya's $5.31. By mid-year the Government was selling crude at spot for $31.75 a barrel.

The June OPEC meeting set a $23.50 ceiling on prices. Kuwait aligned its price along a theoretical benchmark price of $20 a barrel, although in actuality the Saudis were selling the benchmark crude, their own 34 API Saudi Arabian light, at $18 a barrel. This brought Kuwait's price to $19.49 a barrel, which is $20 less the traditional 51 cent differential between Kuwaiti crude and the benchmark.

This prevailed until October, when Kuwait raised its price another $1.94 to $21.43. This was the increase that sparked the destruction of the $23.50 price ceiling set in June. Sabah said he had done it to restore the traditional differentials in the Gulf area since the spread between Kuwait 31 API and Iranian 34 API and Kirkuk 36 API had become much greater than the traditional 60 cents.

At the end of December, after the Saudis refused at the regular December OPEC meeting to raise their prices any higher than 24 dollars and after OPEC failed to come up with a unified price, Kuwait added another $4.07 to its price, retroactive to November 1. This brought Kuwait to $25.50 a barrel, a price reflecting a theoretical benchmark of $26 At least one of its customers, Pontoil of Genoa balked at the retroactive increase and refused to pay up. It was already paying an $8 a barrel premium on 85 per cent of the 100,000 b d it lifted.

Kuwait cut Pontoil's supplies at the end of December for non-payment and later announced it was cutting them because it was Pontoil that sold the Kuwaiti cargo to Shell. This oil was allegedly later pirated and unloaded in South Africa.

Late last month Kuwait added another $2 to its price, bringing it to $27.50, right after Saudi Arabia, in an attempt to reunify the OPEC pricing structure, raised its price to $26—the price many OPEC members, including Kuwait, had based their prices on.

Closing the gap

Sheikh Ali Khalifa explained he had added the $2 to his price, not to frustrate the Saudis attempt to reunify OPEC prices, but to close the gap between his price and that of the North Africans and Iran.

At one time, the Gulf producers set their prices against each other and left the North Africans to go their own way but this apparently is over.

Kuwait last year apparently pushed the 200,000 b/d design-capacity of its ultra-modern refinery at Shueiba even bigber to take advantage of high product prices.

Sabah said the old Aminoil refinery at Mena Abdulla, which has a capacity of 140,000 b/d, ran at about 80,000 b/d and it appears that the old KOC refinery at Ahmadi, which has a capacity of about 250,000 b/d, ran at 200,000 b/d or lower because, reportedly, its crude was often diverted to the spot market.

No figures are available for 1979 but in 1978 about 48 per cent of Kuwait's refined products went to Asia and the Far East, mostly to Japan, about 22 per cent to the Arab World, mostly to the Gulf and about 19 per cent to Western Europe, mostly to Italy.

A tender is to be issued in March for the updating of the KOC refinery by 1983 at an estimated cost of $500m to $600m and a contract for KD 7.5m, is about to be awarded for work on the refinery to increase its output of gasoline for the local market. Plans are underway to expand the Mena Abdulla refinery from a capacity of 140,000 b/d to 250,000 b/d, to be completed by 1984. This means that by 1984 Kuwait should have a refining capacity of 700 to 750,000 b/d, or half its production.

Kuwait is postponing work on the proposed Aramatics and Olefins projects in favour of these refinery projects and overseas joint ventures such as the one with Bahrain, which will produce 1,000 tons a day of methanol and 1,000 tons a day of ammonia.

LPG prices skyrocketed during 1979 beginning with $125.50 *for* propane and $115 for Butane and reaching $276 for propane and $332 for butane by January 1, this *year.* Eight customers have now entered into long-term contracts to buy a total of 1.89m tons a year of Kuwait's LPG, mostly for the Japanese market.

The new LPG plant will produce about 2.2m tons a year at a crude production rate of 1.5m b/d and the old LPG facility at the Ahmadi refinery produces about 1.5m tons a year. Contract customers will have first crack at purchasing the extra quantities.

Because Kuwait is now processing much of its associated gas for export, gas that had been used to run the local power stations and water distillation plants is to be replaced by low-sulphur fuel oil, which will be produced at the updated Ahmadi refinery.

Expansion of the Kuwaiti tanker fleet is proceeding apace with four 80,000 dwt crude carriers under construction in Japan for the Gulf-Mediterranean route through the Suez Canal and four product carriers under construction in Taiwan.

Sabah says that the plan to buy eight product carriers, six of which have now been purchased, has been expanded to nine or ten and a committee is looking at the possibility of buying even more. There is no need to tie crude contracts to use of Kuwaiti tankers because customers are "willing to oblige" now, Sabah said.

Kuwait now has two rigs working in an attempt to find hydrocarbons in the Khuff zone, strata about 20,000 feet down where Saudi Arabia and Iran have made gas finds. Its second attempt to reach these strata, begun early in 1979 after the first well exploded in the summer of 1978, also failed when the well's casing cracked in late October. The two new rigs began drilling in December.

A field with 17 to 18 API crude at about 700 feet will be examined this year to determine how big it is. A field discovered several years ago in North Kuwait is being developed with the construction of a 30,000 b/d gathering centre under way.

Sabah says a seismic survey is being done of all Kuwait and a joint exploration effort with Getty Oil Company is underway in the neutral partitioned zone.

Much of the above activity of Kuwait can probably be attributed to Kuwait's young oil minister. According to the Wall Street Journal, he is trying to replace the Saudi Oil Minister, Ahmed Zaki Yamani as the Arab voice within OPEC.

Last year, he made several suggestions at international meetings, such as the one that OPEC should halve its production in the future, that caught the headlines and he can probably be counted on to do the same thing this year. He may not have replaced Sheikh Yamani, and he says he has no intention to, but he is certainly assuming star status.

Leslie de Quillacq

Tankers loading crude oil at the North Pier at Mina al Ahmadi, Kuwait

Bond market declines in adverse conditions

ON A first route march organised in 1976, an infantry battalion of the Kuwait Army marched out into the desert at dawn and made camp at noon, after an excellent start.

But when a seconded British Army officer suggested the distribution of rations, he was told there were none. Their troops being bedouin, the officers had presumed that they would bring their own food. They had not—and the exercise had to be hastily abandoned.

Kuwait's investment bankers should be hoping that the about-turn in their bond market during 1979 will not end up looking like another version of the same mistake.

Ranks of Euromarket borrowers, banks and lawyers were brought to Kuwait in the first three quarters of 1979 as the rapid progress of its bond market in 1978 was taken further. Within the first nine months alone, 11 issues had appeared worth KD 98m as against 15 issues for KD 122m in the whole of 1978.

But the Kuwaitis had nothing to offer these participants in terms of potential international demand for the paper. They seem to have assumed that the Western banks would bring their own placing power. In the event none could discover any real demand for KD bonds outside the Gulf and the market beat a less than orderly retreat.

New issues

It was not, though, a sudden retreat. It gradually overcame the market as the months of 1979 went by with no sign of relief from the inverse yield curve and with a continuing stream of new issues. It happened because, with little or no KD demand from their clients, the Western banks in the management groups grew ever readier to ditch their allotments in the secondary market—far readier than Kuwait's domestic investors, it seems, and this was the measure of the market's penalty for seeking an international status.

In the weeks which preceded last year's October support package for the dollar, secondary market trading knocked 3 to 4 per cent of the value of some new KD bonds within hours of their issue. Early in November, a proposed bond issue for Petrobras, the Brazilian state-owned oil company, had to be withdrawn before adverse market conditions. And the primary market has since been confined to barracks, by order of the Central Bank.

The government halted further bond issues as part of its campaign late in 1979 to alleviate the severe illiquidity of the Kuwaiti money market. It was almost as an incidental aspect of this measure that the bond market was given a period of enforced rest.

It might otherwise have struggled on. The Kuwaiti dinar's dollar value has changed very little since the first KD bond in 1974, despite the dollar's huge depreciation against other currencies. Prospective dollar borrowers would therefore have been happy to continue tapping the Kuwaiti market with coupons as low as 7¾ per cent — for the Norges Kommunalbank in April—at a time when the Eurodollar bond market was either shut altogether or offering secondary market yields over 9¾ per cent.

At the same time, the Kuwaiti banks seemed prepared to take greater underwriting risks than is normal in the Euromarkets—partly, it must be said, because their different priorities set much store by the prestige of a KD bond market and partly because of their heavy influence over the management of Kuwait's capital funds.

Such enthusiasm has a price. Inventories of unplaced KD bonds accumulated by the banks in 1979 have yielded significantly less to date than their funding costs. And the dissatisfaction of some Euromarket bankers over this was reflected in 1979 by a growing unease amongst many borrowers as one new issue after another slumped in the aftermarket.

After signing off a new issue, a number of financial officers in 1979 left Kuwait a little unclear about the background to this price change but clear enough that all had not passed quite as smoothly as the hospitality of their Kuwait hosts.

Whether the moratorium on new bonds fell in time to save the market from itself remains to be seen.

Mr. Hikmat Nashashibi, the general manager of Kuwait International Investment Company (KIIC) and one of Kuwait's most resourceful bankers, is confident of the KD bond's revival.

He points to the real achievements of the market to date, which include a range of maturities stretching to 15 years (for the CCCE, guaranteed by France with a coupon of 8 per cent last August), and a range of credits encompassing one U.S. corporation (Occidental Petroleum's financing subsidiary raised KD 7m, last May) and no fewer than eight Triple A credits: three French, two Scandinavian, two Finnish and one Japanese.

KIIC still owns 58 per cent of the shares of the Arab Company for Trading Securities (ACTS) after a capital reorganisation last year which gave 10 per cent holdings each to three new share holders (Al Ahli Bank, Burgan Bank and the Commercial Bank of Kuwait), leaving the Industrial Bank of Kuwait with 12 per cent. Its authorised share capital was increased from KD 1m to KD 3m, of which KD 2m has been paid up.

In 1978, ACTS made a 20 per cent return on its capital. In 1979, its daily turnover declined — aggregate turnover for 1979 was KD 94m — and it made losses which have yet to be announced. But as the chief mainstay of the secondary market for KD bonds, ACTS was generally able to maintain a ½ per cent spread between bid and offered. Nashashibi finds this encouraging, as also the fact that most bond prices fell only 4 per cent to 5 per cent over a period during which short-term KD rates fluctuated from 5½ per cent to as high as 12 per cent.

Natural supply

But even its strongest advocates do not see a revived Kuwaiti bond market until interest rates move much lower internationally, liquidity returns to the Kuwaiti money market and a normal yield curve resumes. Until then, domestic investors will find KD deposit rates more attractive than bonds—and those without a natural supply of KDs will lose money funding KD bond purchases. Only sharply higher terms for new bond issues could change this—and these would not be acceptable to the sort of borrowers now welcomed in Kuwait.

In the longer-term, the future of the dinar capital market must depend very largely on the extent to which the dinar is allowed to become an international currency. In 1979, 12 KD bond issues raised KD 104m—probably 80 per cent of this paper stayed in Kuwait, with as much as 15 per cent going to a handful of institutions in Abu Dhabi and Saudi Arabia.

But the effective arbiter of such a development can only be the government—and there is no sign yet of any change in its long-standing antipathy towards an international role for the dinar. Even an extension of the dinar market to embrace Bahrain's OBU sector was curtailed by the government in 1979.

This has been a growing dilemma for Kuwait's investment banks. But there are alternative developments to the bond market which ought to be less impeded by the Government's policy towards the dinar. A greater involvement with equities, the idea of a regional stock market in Kuwait and plans for mutual funds are all being actively discussed. And the markets for other fixed interest securities, both domestic and international are being reappraised too.

This course ought to be encouraged by the fact that Kuwait's own institutional investors now have wider and more sophisticated tastes. The Public Institution for Social Security, the Kuwait and Arab funds for social and economic development and the other major domestic investors have turned increasingly in 1979 to a range of deposits, syndicated loans and private placements at home and overseas.

But in this context also, the experiences of 1979 have not been particularly happy. There has been no real follow-up to the new corporate debt instruments seen in 1978—the promissory notes on behalf of Yousuf Al Ghanim, the General Motors agent, and the floating rate credits for Al Salhia, the real estate company. No market has developed in Central Bank bills.

And above all, the market for certificates of deposit has not lived up to its promise of a year ago. CDs outstanding at the end of 1979 totalled KD 21.6m, against approximately KD 70m at the end of 1978. A liquid secondary market has not developed, while available yields have fallen well below bid rates in the deposit market.

The paradox of these disappointments co-existing with the development of Kuwait's institutional investors can probably be fully resolved only by reference to the undoubtedly large exodus of surplus funds to overseas markets. Other explanations include the innate conservatism of Kuwait's financial sector, a failure of the educational process within it and a continuing preference for confidential transactions away from the glare of a market place.

Attitudes

One implication of these failures is that Kuwait continues to suffer the lack of an efficient money market. And this, no less than Governmental attitudes to the currency, must limit the dinar's role as an international currency.

Finally, what of Kuwait's future as a capital market for other currencies?

In the last two weeks, KIIC has managed an SDR-denominated bond for a Swedish borrower. The SDR is similar to the KD in being based upon the principle of a currency basket and there are recent signs of a new interest in SDRs among Middle Eastern investors, including some of the OPEC central banks.

Further steps in this direction by KIIC or its competitors will be watched with interest.

But, inevitably, any consideration of other currencies for Kuwait must concern its importance as a source of Eurodollars.

Duncan Campbell-Smith

Shortage of liquid funds a problem for banks

IN A SENSE, as one central banker commented recently, the Kuwaiti dinar is "funny money." It has the backing of huge foreign assets—still with a ratio to the domestic money supply which is very high, even in relation to the other OPEC nations—but rests on the basis of a tiny economy.

Its parity with other currencies is subject to arbitrary change by the Government, though such changes have been sensibly avoided to encourage foreign participation in the economy. And the rate of growth in the dinar money supply is overwhelmingly dictated by the levels of net Government domestic expenditure.

Above all, central policies affecting the availability of dinars to Kuwait's citizens and institutions are readily identifiable as in few other economies with the Government's willingness—or otherwise—to see these parties reap immediate financial gain from the singular capital wealth of the country.

The importance of this domestic political strain in Kuwait's banking life transcends even that other political factor which has drawn so much international comment since the Iranian revolution—namely, the stimulant to the exodus of surplus capital provided by the current instability of the Gulf region.

More critical than this, because more structurally important, has been the Central Bank's continued imposition of ceiling interest rates.

The availability of loans at 7½-10 per cent while Eurodollar rates have yielded 14-15 per cent has been the key expression of the Kuwaitis' attitude to their funny money and has rendered Kuwait's foreign exchange market one of the longer-running emporia for old rope to be found in the Middle East since 1973.

The social and political motives for this conduct of monetary policy are rarely referred to by the Kuwaitis themselves, though often apparent in their general remarks. Central officials more commonly address themselves to economic or religious arguments which they see as tending to the same end.

The Government, for example, has stated many times that higher interest rates would only have an inflationary effect upon Kuwait's economy. And 10 per cent is held to be the frontier rate beyond which interest charges would become an affront to Islamic sensitivities.

The artificial rate structure has dominated the last 12 months for Kuwait's commercial banks. It has largely determined the money market background to their operations. It has restricted the Central Bank's control over lending policy, forcing the banks themselves to accept increasing responsibility for the influence of their lending on Kuwait's money supply and the development of its economy and, thirdly, it has, of course, affected the growth and profitability of the banking sector itself.

High demand

Interest rates of 7½-8½ per cent on KD loans for less than 12 months have prompted a continuing high loan demand in Kuwait. Between November, 1978, and November, 1979, according to Hikmat Nuwayhid of the Industrial Bank of Kuwait customers deposits with the banks increased by only 18.56 per cent.

Nevertheless, the banks met the loan demand through credit facilities (up 50.37 per cent) and overdrafts. The result: a ratio of loans to deposits around 130 per cent as against around 85 per cent at the end of 1978.

There is little doubt that a large part of these loans passed via the foreign exchange markets into higher yielding foreign currency deposits, either in Kuwait or overseas. In the third quarter of 1979 alone, private deposits held in foreign currencies in Kuwait rose by 28 per cent.

The Central Bank has identified various sources of KD sales other than arbitrage operations and has criticised the formation of heavily-capitalised offshore investment companies as a further drain on KD liquidity. But measures to counteract all these factors were introduced last November. Today, the loans to deposits ratio remains around 130 per cent and arbitrage continues.

Not surprisingly, the money markets have suffered a period of chronic illiquidity. Short-term interest rates have fluctuated widely between 5 per cent and 12 per cent, with overnight money occasionally proving difficult to purchase at any price, though such conditions have been alleviated by discounting and swap operations carried out by the Central Bank.

The operations of Bahrain's OBUs have occasionally been blamed for part of this illiquidity. But there is no evidence of their having borrowed KDs in any significant amounts for conversion into other currencies, which is the only way in which the charge could be justified.

In fact, the flow of dinars between Kuwait and Bahrain was by its very nature two-way. Steps taken by the Kuwaitis in 1979 to curtail this activity suggest that their criticism of it was to some extent motivated by a fear of Bahrain becoming a more efficient dinar centre than Kuwait itself. Penalties now attached by Kuwait to KD deposits in Bahrain have much reduced the role of the OBUs in the KD lending market, have halted their growing purchases of KD certificates of deposit and have caused some ill-feeling.

The shortage of liquid funds in Kuwait has caused real problems for some of the banks. Whether or not it has caused problems for commerce and industry, is a matter of some dispute. The Minister of Finance, Mr. Abdel-Rahman Al-Ateeqi, insists not and it does seem clear that the illiquidity has been largely confined to the money market, with funds rarely being unavailable for other, more general sectors of the economy. But there has been one other victim of the illiquidity: the Central Bank itself.

Secondary market

In 1978, surplus liquidity was the problem in Kuwait. The bank decided to issue bills as a remedy. By the time the bills appeared, the problem had already reversed itself. No secondary market has developed—with yields at 5 or 6 per cent, the bills are not attractive to the finance companies, though they can help the banks because of liquidity considerations—and it is therefore not practical for the bank to inject money into the economy through repurchases.

Since it cannot raise interest rates either, the present illiquidity in Kuwait has served to draw attention to the limited arsenal of monetary tools available to the bank for control of the monetary sector.

The bank has had to resort instead to unofficial pressure. In particular, the bankers have been urged to switch from overdrafts to term loans and, secondly, to monitor the purposes of their loans more closely. Prospective borrowers intending to finance speculation should be refused in favour of those intending to invest in productive sectors of Kuwait's economy.

Some limited progress had been made on both fronts,

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KUWAIT V

Stock exchange among most dynamic in world

A section of the Kuwait Stock Exchange. Tenders will soon be sought for the construction of a new multi-storey Exchange building.

FROM THE outside, it looks no different from any other grubby part of the *Souq* in Kuwait city. Only the words "Commercial Centre" (with a few letters missing) indicate the entrance to one of the world's most dynamic stock markets—that of the Kuwait Stock Exchange.

Housed, at present, in what was formerly the storage basement rooms of shops upstairs, this underground institution is where fortunes are made—and lost—by Kuwaitis, ranging from the richest merchant to an ambitious Government employee and even university students.

"Almost every family in Kuwait is a shareholder of some kind and plays the markets," commented Abdul Hamid Mazidi, one of Kuwait's leading stockbrokers. "I don't approve of the students coming onto the exchange, but then, what can you do to stop it?"

At the more experienced level, the Kuwaiti stock holder is amongst the world's most sophisticated, accustomed to perusing Tokyo or New York share prices in his leisure. However, on the Kuwait stock exchange, located as it is in a "surplus" state, which boasts the highest per capita income in the world, the returns can be as great as anywhere.

If, for example, one happened to have the fortune to be born a Kuwaiti and the sense to invest in one of the KD 7.5 shares which were issued for the Kuwait Insurance company *back in 1960*, then the value of that share today is roughly KD 3,700—which works out at around 35,000 per cent profit—that is without the dividends and bonus shares issued by the company.

Millionaires

Not surprisingly, then, there are some 15,000-18,000 people who own shares on the Kuwait stock exchange. Of these, some 300-400 are active regular traders, all of which are at least sterling millionaires. More than half of the shareholders of Kuwaiti stock are women, as families parcel out as many stocks as they can obtain. Others inherit their shares or are given them as presents, but rarely, if ever are there lady stockholders to be seen on the floor of the exchange.

The Kuwait market is the eighth in the world, as regards the value of turnover, ranking after Johannesburg.

Total market value stood at KD 4.5bn ($16.9bn) at the end of last year. At times, in one day, some KD 45m worth of shares may change hands on this exchange, and a KD 1m share transaction is nothing out of the ordinary.

The Kuwait market is as yet small—there are only 39 companies listed, many of them partially Government-owned. Other companies are Government-controlled, such as the bus company and Kuwait Flour Mills, with the organisation's product supervised in its price structure by the state. In such ventures, no "profit" is in fact made, only that which comes directly out of the Government's coffers.

Going public has yet to attract the big trading names in Kuwait, though this does not mean that the possibility has not been considered. One of the largest groups felt that it was possible that parts of the company could be parcelled off to the public, but anything beyond that would only act as an enormous sponge on the liquidity.

"If some of the large Kuwait companies went totally public, we would have a liquidity problem of a monumental size," said one. It was possible, though, that a dozen or so companies could go partially public, for owners were beginning to realise that going public does not necessarily mean losing control.

Servicing the needs of the investors are some 17 operating stockbrokers, some of which consist merely of one manager, a book-keeper and a coffee boy. However, unlike the London stock exchange, the broker merely acts as a middle man, and does not accept any liability or guarantee on behalf of clients. For putting buyer and seller together, he receives a commission of two fils for each share traded from each side, a rate which they feel is grossly under-priced.

There is no formal association of stockbrokers, though a draft code of conduct has been drawn up. Indeed, the whole exchange operates so far without the benefit of an Emiri decree licensing it as an official exchange.

The market has, in fact, grown up over the last 20 years or more, but was only formalised four years ago with the creation of a securities committee following a ministerial decree from the Ministry of Commerce and Industry.

Share prices are high by international standards, particularly in relation to profits and asset values. (On some of the bank stocks, the share price is 90 times the earnings.)

Last year was perhaps one of the most eventful in the 24-year history of the market. The first part of the year was marked by a high level of activity and good volumes of trading, particularly in the bank shares.

In June, however, the Government bought up the remaining shares in the Kuwait Oil Tanker Company at 50 per cent above the then-market price, thus releasing some KD 50m in extra liquidity into the market, and generating a flurry of trading on the exchange.

By the summer also, many Kuwaitis felt that sterling, and to a lesser extent the dollar, had peaked and funds came trickling back. However, the major summer flurry was the onslaught of Gulf companies which were established at that time.

Sharjah Group

The Gulf public shareholding companies were not new to the Kuwaiti investor, for back in 1977 two members of the ruling family, together with the ruler of Sharjah, Sheikh Sultan and a number of prominent Kuwaiti merchants, created the Sharjah Group, an investment company registered in the Emirate of Sharjah in the United Arab Emirates. Kuwaitis subscribed heavily to the flotation of the new company and there were moves to have the group quoted on the Kuwait Stock Exchange. However, such a development would have represented a radical departure from previous policies, for until now, only Kuwaiti nationals are allowed to buy and sell shares on it. The group's promoters did, in fact, receive a licence to sell shares in the public, but problems occurred when the founders themselves attempted to sell their own shares. Under Kuwaiti law, the founders have to retain their shares for a minimum of three years. Consequently, dealings in the Sharjah group were forbidden.

This was the situation until last summer, when a number of prominent Kuwaiti merchants decided to take advantage of the offshore companies' facility offered by nearby Bahrain. They were prevented from setting up similar public companies in their own home territory because of an embargo on the establishment of such organisations which was slapped on in 1977, when the Kuwait market went through a slowdown.

However, the Bahrain facility offered other advantages, namely it allowed the companies to have a wider and more flexible range of activity than was permitted under Kuwaiti law, which tended to detail and restrict the scope of ventures.

The Bahrain offshore companies, which are almost exclusively owned by Kuwaitis, include the Lulwa Investment company and Gulf Investment. These are both backed by first class names in Kuwait. The establishment of these ventures generated a flood of new share companies again in the UAE. However, unlike their Bahrain counterparts, the UAE companies promised investment in such fields as private hospitals, *poultry farming* and cement manufacture.

This flood of new companies produced an avalanche of share applications, on occasions several thousand times more than the number of shares available. The Gulf Investment Company, a Bahrain-exempt venture, offered $25m worth of shares to the public at $1 each, and very quickly the shares were being traded at $5.

During this period, there was record trading on the Kuwait market itself, with around KD 500m worth of dealings being traded during the month of July alone—representing almost one-third of what had been traded in the whole of the previous year. All in all, there are now some 15 off-shore Gulf companies on the market.

A number of these companies established offices in Kuwait, and though barred from dealing on the exchange, brokers and even money exchangers were busy buying and selling their shares in an unofficial way.

However, in October, the Government moved in to stop the trading in these non-Kuwaiti ventures, and told their representatives that they could only trade their stocks in their home states.

In the case of the UAE companies, officials pointed out that not only were they not governed by any company law of any kind, but also that they were only recognised by Sharjah, and not by UAE federal law.

The "raids" on the Gulf companies do not appear to have prevented dealing in their shares, however. Owing to a lack of follow up, many of their offices are, in fact, still open in Kuwait, disguised in new legal forms as "liaison" offices and trading is still continuing. As one stockbroker put it: "It may look legal, but really they are circumventing the law."

The Ministry of Commerce appear to be overlooking these developments and the shares of the Gulf companies are attracting a "very high rate of interest" from local Kuwaiti investors, say brokers.

Kathleen Bishtawi

Problem for banks

CONTINUED FROM PREVIOUS PAGE

depending in individual instances upon the size and strength of the bank and the importance of the client concerned.

But it seems a tall order. Considering the nature of business relations in Kuwait as any other Arab city, the complex family ties and social stratification (of particular importance in Kuwait), it seem unlikely that any such informal approach by the banks could really provide a successful basis for this sort of control.

Helping the bank sector to concentrate more upon the real investment needs of the Kuwaiti economy was a principal motive for the founding of specialised banks like the Industrial Bank of Kuwait (IBK). Their progress, to date, suggests that this rather than pressure on the established banks has been the more fruitful expression of a political will to translate Kuwait's mineral wealth into a varied, modern economy.

IBK, in particular, founded to provide long term loans for industrial projects and equity funds for new ventures, has achieved a leading role in several areas and has this month announced a doubling of its authorised capital to KD 20m.

The strain of the unfavourable international environment and the artificial domestic rate structure, finally, have been reflected in the growth and profitability of the banks.

Until 1976, the net foreign assets of the Central and commercial banks exceeded the latter's claims upon the private sector. The changed pattern of banking in Kuwait over the last decade has seen this ratio reversed since then. Last year, the expansion in the volume of domestic lending carried the banks' claims on Kuwait's private sector up to no less than 161 per cent of net foreign assets.

Led on by this domestic activity, the remarkable growth of the commercial banks' consolidated balance sheet continued in 1979. It has led to regular calls by the banks upon their shareholders for more capital—Gulf Bank and Ahli Bank recently announced their third rights issues in four years—as well as to much talks about the arithmetic of the money supply and of the drain upon it constituted by private capital transfers.

D.C.-S.

Substantial aid for the Third World

AID TO the Third World is an area where few nations—and still fewer countries which are still developing rapidly—can match the record which Kuwait has established over the past two decades.

Even before full independence was achieved in 1961, Kuwait was involved, through the general authority for the Gulf and Southern Arabia, in channelling health and educational assistance to the poorer states in the lower Gulf.

The authority still exists and has extended its operations to the two Yemens, Oman and Bahrain, as well as to the smaller emirates of the United Arab Emirates. Its disbursements on schools, hospitals, clinics, teacher training institutes and the University of Sanaa have been running at KD 12m ($44m) for the past two or three years, paid for out of the general budget.

The Kuwait Government disburses considerable largesse directly to a number of other governments and causes from its general revenues. Details of these are not always announced, and totals are difficult to assess.

Relatively routine payments of this kind within the past few months have included a $20m contribution to the Palestinians' finances and a $5m grant to Malta.

Yet these efforts, substantial though they have been, have probably made less impact than the country's formal development aid programme, administered since 1961 by the Kuwait Fund for Arab Economic Development (KFAED).

Total cumulative commitments by the fund now stand at around KD 700m (£1.1bn), according to its director-general and principal architect, Mr. Abdlatif al-Hamad.

In the past five years, the fund has broadened its scope from the original handful of eight or nine poorer Arab states to include virtually all the developing world.

Far and wide

At the last count, it was helping no fewer than 57 countries in the Middle East, Africa and Asia. Latin America, for the time being, remains beyond the KFAED's range, less for any reason of policy than because few countries in the region are any longer as poor as those on which Mr. al-Hamad feels resources should be concentrated.

Opportunity and management time permitting, however, several of the smaller Caribbean and Central American nations might well hope to qualify for Kuwait's help.

What does Kuwait itself hope to gain by its development programme? At one level, clearly, the State sees the programme as making and keeping friends. It is an effective one when Kuwait's spending on aid of 10 per cent of its gross national product in 1977 is compared to the very much lower figures of member governments of the OECD's Development Assistance Committee.

Yet much more is involved than the wish to offset the unflattering publicity that the oil-producing states have received in the West as the result of the price increases of recent years. At the heart of the KFAED's programme is a commitment on the part of the Kuwait Government to fulfil its religious duty to help those less well off than Kuwaitis themselves—a commitment which Mr. al-Hamad believes is fully endorsed by public opinion.

Sense of mission

Translated into action, the Kuwait Government's resolve has had the effect of allowing the fund to evolve along lines very different from those of the World Bank or the major United Nations agencies. It is a small, lean organisation of no more than a couple of dozen professional staff with a refreshingly clear moral sense of mission and with little patience towards the bureaucratic complexities of the big, multilateral bodies.

In shaping the KFAED into its present, increasingly-broad role, Mr. al-Hamad and his staff have had several advantages. The Kuwait Government, having made its decision to set up the fund in 1961, has scarcely ever intervened in its affairs. It has never laid down political guidelines as to which countries should benefit from credits, thus letting the fund establish a genuine reputation for independence and for choosing projects purely according to its own criteria. Thus, it lends both to Marxist South Yemen and to conservative North Yemen, to Indonesia and to Vietnam.

Only in the case of Egypt does the fund feel it can no longer consider further applications, following the Camp David agreement and the "normalisation" of relations with Israel.

Nonetheless, existing commitments are still being honoured: the main outstanding loan is a KD 6m (£9.5m) credit granted in January, 1978, towards the reconstruction of the Suez canal. There is unlikely to be any move from the Kuwaiti side to call this in.

Although he does not deny the political dimension to this freeze in relations, Mr. al-Hamad also said in a recent interview that the KFAED had reached the conclusion that Egypt could not absorb further loans, even before the Camp David agreements were signed. He explained that this was because loans already made were not being implemented.

With the exception of Egypt, the fund's political freedom of action has made it an increasingly desirable source in finance. So, too, has the fact that its credits are in no sense tied: it does not seek to push borrowers into awarding contracts to any particular country or group of countries. And not least, its policy of drawing down on capital rather than raising finance in the market-place gives it an enviable freedom of action in setting financial conditions. It does not apply strict criteria of profitability to the projects it favours; many loans have been made for infrastructural projects such as water resources, roads and airports.

Repayment periods are, in some cases, as long as 50 years, and interest rates sometimes as low as 1.5 per cent.

In a few cases, the KFAED makes outright grants — for example, it has paid for exhaustive studies by consultants of the development prospects of the Comoros and of the tourist industry in the Maldives.

At the other end of the scale, the Kuwait fund was the prime mover in re-appraising the outlook for the iron-ore mining sector in Mauretania at a time when it appeared that it faced a rapid rundown after the exhaustion of the first large deposits.

By all accounts, the KFAED was instrumental in putting together a massive $500m package involving no fewer than 15 development agencies, under which Mauretania's principal source of export income will be further strengthened.

In the Mauretanian case, Mr. al-Hamad says that his institution was able to act as a "catalyst." The institution has done so over a number of years in relation to the other international development institutions largely financed by Arab oil revenues — the national bodies set up by Abu Dhabi, Saudi Arabia and to a lesser degree, Iraq, and the multilateral organisations established during the 1970s. These are the Arab Fund for Social and Economic Development, sponsored by the members of the Arab League; the Arab Bank for Economic Development in Africa; and the Islamic Development Bank.

Consultations

The Kuwait Fund, with more experience than any of the others, has helped both to standardise and to streamline procedures among them all, and to ensure that regular consultations take place.

Closest to the KFAED in spirit is probably the Arab Fund for Social and Economic Development, whose offices are also in Kuwait.

Set up in 1971, the Arab Fund has as its main priority the encouragement and realisation of projects which strengthen economic ties between the Arab countries. In past years, there is reported to have been some difficulty in finding projects which adequately filled this brief to the satisfaction of all member Arab governments, and in the spring of 1979 matters came to a head with the departure of the Fund's president, Mr. Saeb Jaroudi, from his post. No loans had been made for more than a year.

Under the new president, Dr. Mohammed Imadi, a former Syrian Minister of Economy, the Arab Fund appears to be moving back into a higher gear once more.

Total disbursements since 1971 stand at only KD 160m (£254m) out of an authorised capital of KD 400m, but commitments have now reached KD 311m and the day may not be too distant when the Fund will seek a fresh injection of money from its sponsoring governments.

Highest priority

Dr. Imadi makes clear that infrastructural and social projects will now be given the highest priority. Areas in which he hopes to be able to concentrate include transport, communications, inter-Arab electricity grids, teacher training and educational materials.

On the strictly industrial side, too, there are several major projects under consideration which have been sponsored by the Arab Organisation for Industrial Development, including a proposed multi-national co-ordination of agricultural machinery building, and a steel complex for which no site has yet been firmly agreed.

In the absence of suitable multilateral projects, the fund has made a good many loans to individual countries, including some KD 60m (£95m) to Egypt —although not all of this sum had actually been disbursed when the fund was obliged by its political masters to impose on Cairo a freeze similar to Kuwait's.

The Arab Fund, however, will meet obligations to third parties arising from these commitments to Egypt, while it is nonetheless unable to follow up its projects on the ground.

According to Dr. Imadi, there is no shortage of deserving projects before the Arab Fund, especially in such areas as rural water supplies, health, education and agriculture. The fund, while it stresses that projects must make economic sense, shares the view of the KFAED that its prime role is to alleviate poverty, rather than to earn any specific rate of return.

Both institutions seek to carry out this mission with a minimum of red tape and of political looking over the shoulder—though Mr. Imadi at the Arab Fund plainly has the more difficult task in trying to establish a pragmatic, practical and non-political tradition. Yet he believes that the point is now accepted by most member governments that Arab development aid is well past the stage of merely throwing money at problems, and is now a matter of skilled and sensitive management.

Adrian Dicks

Social development has been remarkable

KUWAIT IS quintessentially a "successful" society in the sense that the symbols of success have become the necessities of life.

Local psychiatrists say the pressure on a young Kuwaiti to succeed is often more than they can bear.

"They must be millionaires, have yachts, holidays in London and so on. The trappings of success are all important. They must be seen to be successful." The trouble, he says, is that the chances of acquiring the high positions or becoming a wealthy merchant within a short time, are becoming less and less.

Kuwait's 20 overworked psychiatrists are having to deal with the results.

Increasing numbers are turning to remedies more associated with the West, such as alcohol or drugs, and presently some 8 per cent of all admissions to local mental hospitals are involving dependence of one kind or another.

Yet, in many areas, Kuwaiti social development has been remarkable. There is nothing more amazing than to fly into the city from a neighbouring Gulf country to find local Kuwaiti women stomping around hotel lobbies in thigh-high boots, dressed in the best the West can offer, browsing through boutiques and taking lunch with their girlfriends in public restaurants.

Even such superficial freedoms are unknown in the Gulf where women are still, to a large extent, shrouded in black.

But in Kuwait there is no longer a "woman problem" but a "woman question."

Unlike their Gulf sisters, Kuwaiti women are not restricted in their work to the teaching or social affairs professions. One has just been made an Under Secretary, another heads the tender committee in the Ministry of Planning. There are women professors and even a dean at the university, and hundreds more have first class degrees from overseas tumbling out of their pockets.

In the meantime, life is likely to become less easy for the Kuwait male. True, the Government has had a long tradition of taking nationals into the administration merely to Kuwaitise the ministries. This policy is likely to continue despite the abuses, which the Government appears to fully appreciate.

"We know there has been some over-staffing and moonlighting going on—and that people come to the office merely to pick up their salary," said one planning official. But then by tradition this has been a paternalistic society. We don't think this will make the population lazy, for many of them have two jobs—they have to, in order to beat the inflation rate."

Private sector

At the higher Government levels, the ministries are now finding it a job to keep up with attractions of the private sector, and have only recenly decreed that a fourth grade employee can only leave his job with permission from the Cabinet. In future the Government could face difficulties in absorbing all the school leavers and graduates. At the moment, for instance, the large Kuwaiti trading firms appear to have very few Kuwaiti employees. One of the largest in the city, which has a total staff complement of about 3,800, has only 20 nationals on its payrolls.

But, at the moment, a job is virtually guaranteed for every Kuwaiti at the end of his studies. Such an assured future does make for problems at the university, professors find. There are difficulties concerning discipline, particularly for the foreign lecturers who may mark down Kuwaiti students or ask for work to be re-done. Students tend to opt for the arts rather than the sciences, and frequently for a professor known as an easy marker.

"Sometimes it's difficult to get them to come to school at all" commented one Kuwaiti professor. "They go to the Stock Exchange instead. It is very difficult, you know, to teach a student who is already worth over a quarter of a million dinars."

Failure rates are also high—more than 38 per cent for Kuwaiti males in secondary schools.

Education is a sore subject in Kuwait, for despite massive building programmes, the Government finds difficulty in keeping up with the demands of the growing population. There are already over 270,000 students, the number increasing annually by 8 per cent. This necessitates a building programme for an additional 15 to 20 new schools every year.

With demand exceeding supply many Arab residents' children find it difficult to secure a place at one of the Government schools, and a number of schools have to be used twice a day requiring double shift working by teachers.

The Education Ministry simply says that it only builds enough schools "for the needs of our children and maybe for the children of teachers. The foreigners can take up the excess capacity," said one official.

The trouble is that the excess is often not enough, and much has been left to the private sector. Getting a student into the university for a foreigner is also extremely difficult, requiring a great deal of influence.

The same kind of tug of war happens over housing, for while all Kuwaitis can be guaranteed a free house at nominal rent from the Government, the expatriate resident is left to the devices of Kuwaiti landlords.

For the ordinary bank clerk, teacher or typist earning KD 2-300 a month, beating an increasing cost of living and paying high rents can be a struggle.

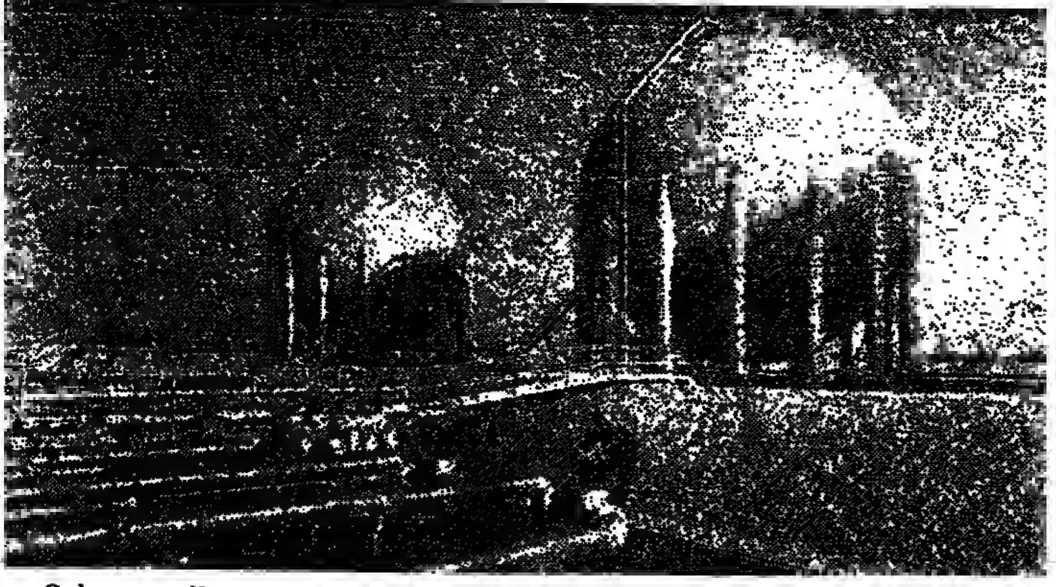
On the Kuwaiti side, there is also resentment that say an Egyptian doctor can arrive in Kuwait today and obtain a Government flat tomorrow, while they may have to wait seven years for a free house.

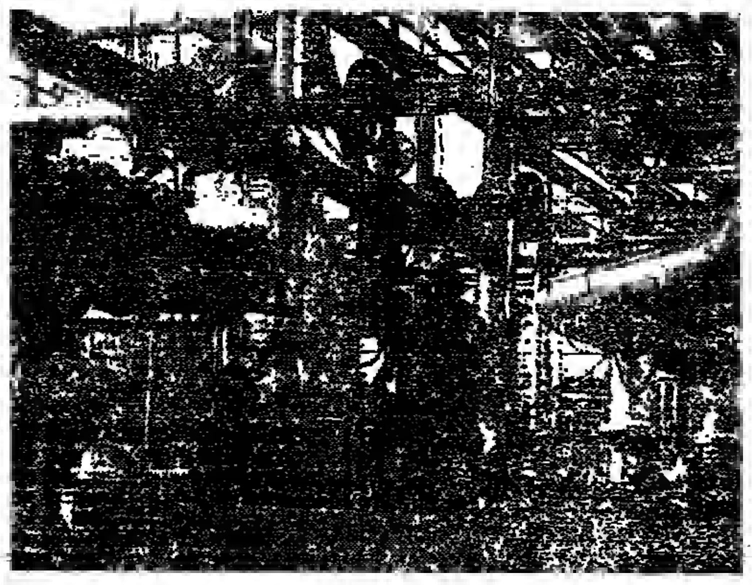
Health services have massively developed to keep up with the demands of Kuwaiti and non-Kuwaiti residents. Five major city hospitals are nearing completion and the older hospitals such as the Sabah and the Emiri, are being upgraded into specialist institutions.

By the end of next year there will be some 6,500 hospital beds in Kuwait, each costing KD 40-KD 50 a day to run. These new hospitals, which would be the envy of any health service anywhere, will require the recruitment of some 650 doctors and at least 3,000 nurses.

The differing needs of the "K's" and the "NK's," as Government statistics refer to the Kuwaitis and the non-Kuwaitis reach almost an obsession in any conversation with either side. A foreign Arab psychiatrist working in Kuwait suggests that "perhaps their greatest failure in this society is their lack of success in creating a society which feels both permanent and relaxed. There is a great deal of nervousness about the money. On the other hand, their greatest success has been in distributing it."

Kathleen Bishtawi





Only a small proportion of Kuwait's labour force of about 300,000 are engaged in the oil industry, although the Government derives 93 per cent of its revenue from the oil sector. Above right: oil storage tanks at Al-Ahmadi and, centre, an oil processing plant. Left: travellers throng a section of the central bus station in Kuwait city. If the city's growth rate is maintained, its population will be over 2.7m by the year 2,000.

Problems in the area of manpower planning

THE MANPOWER shortage in the Gulf is, as generally agreed, one of the results of rapid development of under-developed economies. A small country like Kuwait can't build five hospitals within a few years and expect to staff them completely with nationals. It takes time to train doctors, nurses laboratory technicians and the like and only a few years ago such training wasn't available here.

However, in the Gulf the manpower problem is exacerbated by the way in which the Gulf countries garnered the riches that finance their development.

In their economies there is only a loose tie between productive activity in the economic sector which contributes the most to GNP, the oil sector, and the acquisition of income in that sector.

Kuwait's 1975 census, the last published, said that the total active labour force totalled about 300,000, of which only about 4,860 are engaged in crude oil and natural gas production and related activities. Yet the oil sector accounts for about 75 per cent of GNP and about 93 per cent of government revenues.

Robert Mabro, director of the Middle East Centre, St. Antony's College, Oxford, pointed out in a recent paper: "It is the bargaining and other actions of governments in the international fora which brings in the initial riches, not the productive endeavours of economic agents—farmers, firms, entrepreneurs, labourers, industrialists. The natural corollary is that oil revenues belong to everybody in the nation as a natural inheritance or right.

"Not everybody can stick a claim, but those with a political voice, however, faint, or political muscle, however, weak, naturally would. Some will expect a share of the oil revenues as rent, independent of any productive contribution or effort."

Kuwaiti nationals are already a *minority* of the country's population—47.5 per cent of a total population of about 1m, according to the 1975 census, and *probably* even less in reality. Nationals are guaranteed housing, education, jobs and a host of social services.

Citizenship

It is extremely difficult to become a Kuwaiti citizen. One must prove his people were in Kuwait before 1920 for "first class citizenship"—which includes voting rights—and one must prove his people were in Kuwait by the mid-1940s to become a "second class Kuwaiti,"—which includes all national rights but voting. A few people are naturalised every year but this is an exceptional honour usually reserved for those who have made great contributions to the state.

By law, only Kuwaitis can own real estate—in the past one of the Government's pet ways of distributing the oil wealth among its citizens was by land purchases at inflated prices. Only Kuwaitis can own shares. Businesses must have at least 51 per cent Kuwaiti participation. Foreign contractors and exporters must have Kuwaiti agents to bid on projects and sell their goods here. Only Kuwaitis can get import licences.

The system thus encourages the growth of an inflated civil service. Of an active Kuwaiti labour force of about 87,000 in 1976, 76.2 per cent were employed by the government. The government employs about 43 per cent of the total active labour force, including foreigners. Over a third of the foreigners working for the government are in the lowest salary range whereas only 530 Kuwaitis are in that bracket.

The system also encourages and rewards the sleeping partner and agent over the skilled worker, the professional and the manager. In many cases the link between effort and reward has been severed. Thus the country not only turns to foreigners to do the menial jobs nationals feel are beneath them—a situation that develops in highly-industrialised societies also—but also turns to foreigners to do jobs Kuwaitis probably would be trained to do if the system didn't work against this.

The government is obviously trying to solve this problem. Many within it support cutting down on some of the giveaway programmes and back the institution of a tax system, that although unnecessary for public revenues would serve to make people aware that they have obligations to the state and are not just beneficiaries of its largesse.

Kuwait's goal, according to several government employees involved in manpower planning, is to train Kuwaitis to take the place of foreigners in supervisory positions and to employ foreigners as manual labourers only.

However, the census estimates that by the year 2000 Kuwaitis will have risen to only about 50 per cent of the population. The Planning Ministry hopes that by that time Kuwaitis will make up about 42 per cent of the active labour force rather than their present 30 per cent.

To encourage this the Government has a central training institute that is now training 850 students at its Telecommunications Training Institute, its Shuwaikh Industrial Institute and its Water and Electricity Training Institute. In addition, this organisation is training another 1,750 clerks using the facilities of the Ministry of Education in the afternoon after classes let out. The Ministry is training about 1,500 at the moment at its four technical schools—a commercial school, the Kuwait Institute of Technology, the Teacher Institute and the Nursing Institute. All these students are going to government jobs on completion of their courses.

Twenty per cent of the students in these programmes can be non-Kuwaiti but they must either have been born in Kuwait or spent 15 years there. This means that most would be Palestinians, who officially are 20 per cent of the population but in reality are probably more like 25 per cent. At the moment only 15 per cent of the central training institute school students are non-Kuwaitis.

Kuwait University is educating about 8,500 students in its faculties of arts and education, science, medicine, engineering, commerce and economics and law and Sharia. About 5,775 are Kuwaitis, about 675 are Gulf Arabs and about 2,055 are foreigners, mostly Palestinians. The students in the faculties of science and engineering are predominantly foreign while the faculties of arts and education and commerce and economics are predominantly Kuwaiti.

Women students

About 5,000 of the students are women, 70 per cent of whom are Kuwaiti. However, women make up only about 12 per cent of the labour force here and Kuwaiti females make up only about 2.5 per cent of the labour force. The Government has no policy to encourage women to enter the labour force in order to alleviate the manpower shortage. On the other hand, there is no discrimination against women in employment—as far as the law goes—and they are, in fact, given liberal maternity leaves.

The demographic situation is generally agreed to be potentially a dangerous one. Kuwait's policy is to keep the percentages of the different groups of foreigners from growing and to concentrate its development efforts on capital intensive, low manpower projects.

Since the Palestinians are the second largest minority after the Kuwaitis, they have been looked to as the potential powder keg. But the Palestinians are not like the ones in Lebanon, they are making a comfortable living, not languishing in refugee camps. Kuwait is not a confrontation state and the Government donates heavily to the Palestinian cause. When the Palestinians spontaneously demonstrated last March against the Egyptian - Israeli peace treaty, the Kuwaiti authorities were out in force, especially round the U.S. Embassy, but they didn't try to interfere.

The possibly dangerous Palestinians are probably the younger ones who have been born and educated in Kuwait but who cannot enjoy the full rights, benefits and salaries of citizens. So far, however, there has been no real overt evidence of their dissatisfaction, just grumbling.

Last year, after the Iranian revolution, the Kuwaiti Shia, who are mostly of Persian origin, were suddenly perceived as a potential problem. Estimates are that they form about 20 per cent of the Kuwaiti population. The Kuwaiti authorities tried to interfere with their first demonstrations in support of Ayatollah Khomeini, and even arrested a few participants but the authorities quickly realised that it was wiser to back down. A possibly violent situation was averted.

In September several prominent Shia got up in a local mosque to give mildly anti-government speeches. One of the men, Ahmed Al Mahri, the son of Ayatollah Khomeini's appointed Imam for Kuwait, was deported to Tehran along with 18 other members of his family although they were Kuwaiti citizens. The passports of three other men were taken way.

Demonstration

In November, at the Shia Feast of Ashura, about a thousand Shia marched on the U.S. embassy. Kuwait security, invoking a public assembly law requiring a permit for a demonstration, broke up the gathering in only a few minutes with tear gas.

Since then there have been no more incidents but during November, December and January Kuwait deported about 18,000 people, Mohammed al-Hamed, Head of Security, said the procedure was not unusual and that these were foreigners who had entered the country illegally or whose residence permits had expired. Persian labourers say, however, that the deportations are aimed at them. Mr. al-Hamed denies this.

Figures are not available on the number of Persian workers in Kuwait. Before the revolution there were only about 40,000 because job opportunities were so good in Iran it was unnecessary to travel to Kuwait to make a living. Now some in the construction business say they are seeing Persian labourers in Kuwait who haven't been working here for about 10 years. They attribute this to unsettled conditions in Iran and, according to some, to hunger in the villages.

Some of the prominent Kuwaiti Shia, many of whom still support the Shah, have warned members of their communities that they must choose now whether they are Kuwaitis or Persians and if they choose to be Persian they must go to Iran. The Kuwaiti Government meanwhile is courting Kuwaiti Shia. The 35-member committee that was formed recently to prepare for a new national assembly was about 20 per cent Shia.

Just what dangers these different ethnic groups pose in Kuwait cannot be seen yet. But their existence, coupled with the growing religious fervour in the area—as witnessed by the Grand Mosque incident, has many Kuwaitis themselves questioning the country's future tranquillity. The military commander of the fanatics who took the Grand Mosque had stayed in Kuwait and Saudi Prince Fahd is reported to have told a Lebanese newspaper that the incident was masterminded from Kuwait.

There was some leafleting done in Kuwait in support of the fanatics and two men got up in a Kuwaiti mosque to speak in their favour. They were almost killed by those in the mosque at the time. Mr. al-Hamad says that he is not worried about Kuwait's future and for the time being everything is quiet.

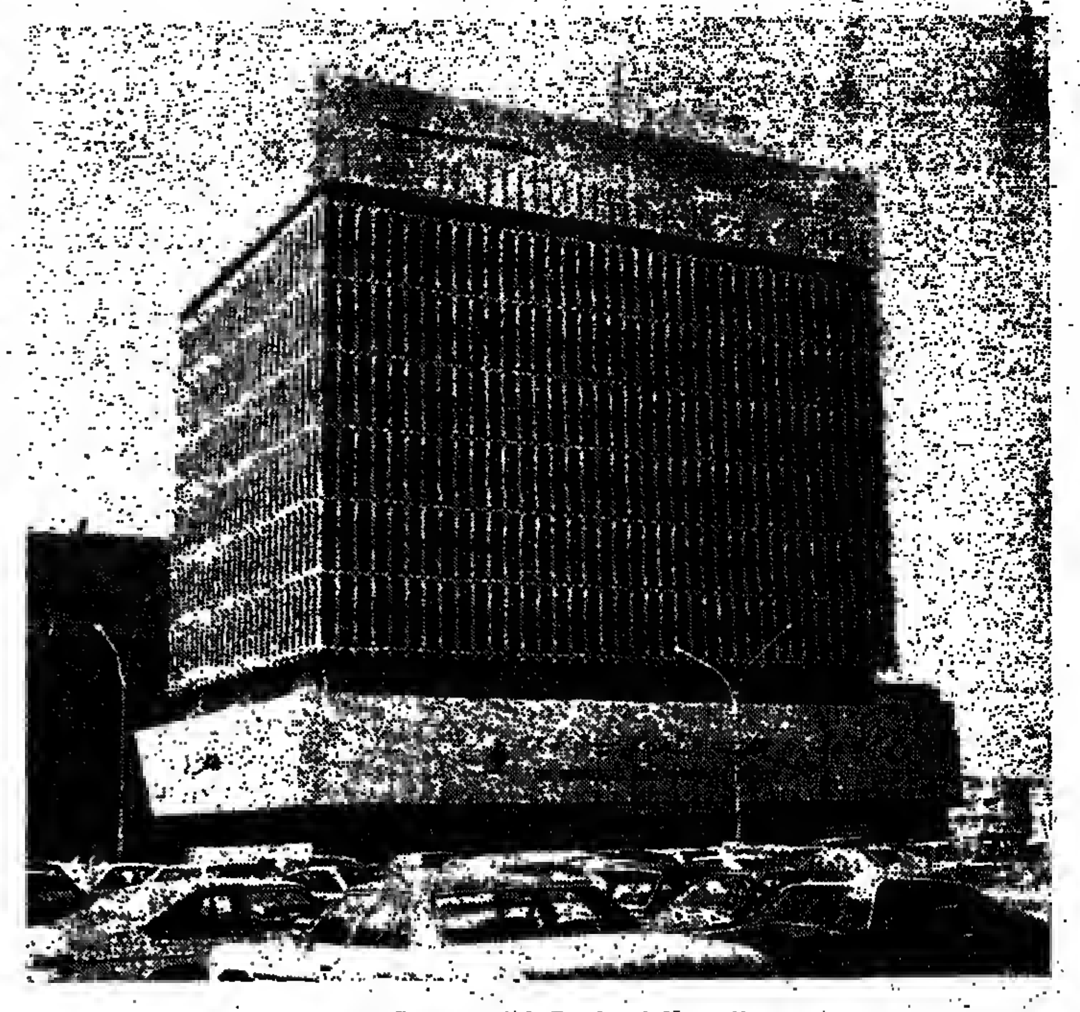
Leslie de Quillacq

Need for more coherent economic policies

KUWAIT'S ECONOMIC development has been managed with as much prudence and competence as its foreign policy. Successive governments have presided over the evolution of a unique combination of a welfare state and free enterprise system. The private sector has been stimulated, not the least by measures to distribute surplus oil wealth and, to an extent, also protected in a paternalistic way. Large-scale development projects of dubious viability have been eschewed. The provision of basic infrastructure has generally kept pace with demand.

The approach has been gradual, pragmatic and flexible in conformity with the sane character of the State. But it has also been somewhat piecemeal. Now there are signs of dawning consensus in ruling circles that the time has come to formulate a more coherent, long-term view to the year 2,000 and beyond.

In the past, planning has not been given much precedence in Kuwait. The concept is not one that co-exists easily with the spirit of free enterprise. The function is also one that is only considered essential for countries which are short of capital and, therefore, need to allocate it carefully.



The Commercial Bank of Kuwait

Outsiders may debate the extent to which Kuwait—a very significant aid donor and rentier —can be regarded as a developing country. For good reason it insists that it is one, notwithstanding its growing investment income, now running at annual rate of over KD1bn, the State is still desperately dependent on the exploration of its wasting hydrocarbon resources. Meanwhile, if it is to become an advanced country, if not an industrialised one, Kuwait still needs several generations to develop its human resources.

Yet, in one respect, it must be considered exceptional among developing countries. Compared to other countries, there is none other, including Saudi Arabia, for which availability of capital can be less of a constraint.

Since the oil price explosion at the end of 1973 the State has recorded budget surpluses totalling (before deductions for aid transfers and contributions to the capital of enterprises in Kuwait or pan-Arab projects) more than KD10bn, or the equivalent of about $35bn.

Long-standing aim

Excess revenue on such a scale has enabled it to move purposefully towards fulfilling a long-standing objective, dating back 25 years, of generating an investment income on a scale that would provide an alternative to oil when the wells run dry. Pursuit of that aim, however, has never been to the exclusion of a greater self-sufficiency not based on oil production.

In reality, the day when the wells run dry is very far away if it seems ever-present in the Kuwait consciousness. The State's proven reserves should last 100 years or more at a production rate of 1.5m barrels a day, the reduced level which will become effective from April this year.

As it happens, Sheikh Ali Khalifa al Sabah, the Minister of Oil spoke last year of a period lasting from 50 to 100 years as the time-lag required by members of the Organisation of Petroleum Exporting Countries (OPEC) to complete the necessarily slow process of economic and social development. He was giving an indication of the realistic long-term perspectives of his own thinking, at least.

Understandably, there is also a sense of urgency. Mr. Mohammed Youssef al Adasani, Minister for Planning, speaks of a "race with time." Kuwait is no different from any other oil-producer in "trying to achieve a lot in a short space of time." Against this, the Government is fully aware that, despite the lack of any financial constraint, there must be limits to the rate of growth. It has yet to define precisely what the guidelines should be. But three years ago it adopted one principle that it is determined to abide by. That is, the monetarist one of strict curbs on increases in public expenditure.

Kuwait entered the post-1973 war with greater sophistication than the other conservative Arab oil states of the Gulf and with a relatively well-developed infrastructure.

At the same time, it underwent a rapid growth. Statistics, relating to Kuwait's national accounts, are less than complete or compatible, but they give a fair indication of trends. In the five years from 1972-73 to 1977-78, gross domestic product grew at an average annual rate of 22 per cent, to reach KD 3.85bn. The biggest increase was in 1973-74 when the overall gain was reckoned to be 63 per cent, reflecting the quadrupling of per barrel receipts from oil.

As with other producers, petroleum price rises give a somewhat distorted picture of Kuwait's economy. However, for this period the average growth for non-oil GPD reckoned to have been 17 per cent.

Since the first oil prices' escalation, one of the most striking aspects of Kuwait's economy has been the very bigh rate of savings. In the period from 1972-73 to 1973-74 they accounted for something like three-quarters of GDP.

In contrast, only 17 per cent of GDP was utilised for capital formation, though it had been rising proportionately, in 1977-78 when the public sector contributed three times as much as the private sector. In other words, Kuwait spent only a small part of its income.

Kuwait's experience of the 1974-76 boom was such as to persuade the Government to place severe curbs on expenditure. Previously the Kuwait Planning Board had exercised some influence over economic policy but the Government had hardly made a pretence of following the first two Five-Year Plans.

In 1976, the Board was upgraded to ministerial status. It formulated a plan for the 1976-77 to 1980-81 period that projected development spending of KD 4.44bn, including KD 1.07bn for the oil sector and KD 2.3bn for other ministries and autonomous agencies, with the balance expected from the private sector. In the event, public investment from 1976-77 to 1978-79 amounted to KD 1.31 bn, far below the original target.

Much earlier than Saudi Arabia and the UAE, however, Kuwait became aware of two other reasons in favour of measured and balanced growth, rather than break-neck development. One of particular relevance to itself is geography. The small area of the state has circumscribed and conditioned its development potential. The strait-jacket constricting its physical expansion and the need to optimise a limited land area was recognised well over a decade ago. The Urban Master Plan was drawn up in 1970 and revised two years ago. Related to this basic consideration has been another one that is becoming an increasing, if as yet unrationalised, preoccupation.

As soon as Kuwait started disbursing oil revenue its citizens became apprehensive and, to an extent, resentful of the influx of expatriates, Arab and non-Arab, required for the build-up of the state's infrastructure and services. The correlation between development and the import of manpower has been a direct one that has not been appreciably modified by evolution of a comprehensive educational system during the past 30 years.

Implications

The demographic implications of growth for an oil-producing state, starting development almost from scratch and with a small population in relation to its wealth, may have seemed obvious to outsiders.

Although those implications were clear in Kuwait, many years ago, it has shown a reluctance to face them openly to the point that it has almost seemed to be evading a difficult issue.

As early as 1960, according to the census of that year, expatriates amounted to half of the population, in three subsequent censuses to date, undertaken at five-yearly intervals since then, they were found to be an unchanging proportion at 53 per cent. The figures for 1975 gave 502,300 Kuwaitis and 563,000 non-Kuwaitis. The figure for the latter seems to have been pitched low and total population was probably significantly greater then.

The number of Palestinians may have been as much as 400,000, rather than the 200,000 recorded. The Government is currently carrying out another census.

Mr. Adasani has estimated that Kuwait will estimate a population of 1.4m. Informed observers believe, however, that the population may be as much as 1.7m to 1.8m at present, and that by the year 2000 it will be very much bigger than the 2.5m projected by the consultants who revised the original 1970 Master Plan.

Concern about population imbalance, as well as pollution, is the main reason why Kuwait has shown progressively less enthusiasm for industrial diversification which was one of the main priorities of the first Five-Year Plan for 1966-67 to 1970-71. Other considerations are economic viability and availability of gas.

Joint ventures

Several years ago, the Government abandoned ideas of implementing a steel mill and an aluminium smelter. The petrochemical projects—aromatics and olefins complexes, included in the Third Plan, covering the 1976-81 period—have been postponed indefinitely. The strategy is to concentrate on joint ventures, like the petrochemicals venture with Bahrain, to be located outside the State.

Manufacturing industry built up with cheap finance, land and energy and nominal prices, and some tariff protection has not been inconsiderable. Now a more searching appraisal is being carried out. There is an even stronger emphasis on capital-intensive, hydrocarbon-based projects.

Other criteria are good export potential and cleanliness. Expansion of capacity for food-processing and building materials, already accounting for a significant proportion of non-hydrocarbon industry is envisaged.

But, significantly, the Industrial Bank of Kuwait, which from 1974 to 1978 has helped finance projects, valued at over KD 330m, last year slowed down the rate of its commitments.

During the past five years the trend has been to think more in terms of developing Kuwait as a service centre. At the last count, five years ago, nearly 75 per cent of the labour was employed in the service sector —but two-thirds of those were working in the over-bloated bureaucracy. Despite its past traditions as an *entrepôt* there seems a limit to how far Kuwait can assert itself as a trading centre for the region.

In this respect, it was eclipsed by Dubai more than 10 years ago, as its merchants found easier profits in a growing market at home. There was a marked rise in re-exports from 1975 to 1978, to more than KD 150m a year. With the easing of port congestion, however, this business has flagged.

In keeping with its maritime traditions, Kuwait has become a force in world shipping. The fleet of more than 50 vessels belonging to the Kuwait Shipping Company was merged at the end of 1976 into the multinationally-owned United Arab Shipping Company. It has made losses for the past two years but with the market improving, it looks forward to making a profit this year. In the near future, it should be adding to the value of oil production by carrying more than 40 per cent of the State's crude and oil products. In addition, there are two other companies quoted on the Stock Exchange, including the Livestock and Transport Trading Company, which also delivers New Zealand lambs on the hoof to other markets, as well as other privately-owned vessels. But shipping is a business where Kuwait is as dependent, as in others, on expatriates.

In the service sector, however, finance takes pride of place. It is a field of activity where natural Kuwaiti aptitudes have flourished and expertise has been quickly evolved.

The 1975 census showed only 2 per cent of the economically active engaged in finance and insurance of which little more than one-fifth were residents. As witnessed by the proliferating number of institutions and their diversity, Kuwait is continuing to develop as a market of growing importance. Basically, though, it is concerned with the handling of the State's public and private surpluses.

For Kuwait the problem is not the creation of employment opportunities, but minimising dependence on expatriates. There are two aspects to the problem: on the one hand, the ever-increasing demand for utilities and services and, on the other hand, the inability or reluctance of Kuwaitis to perform tasks required to maintain and increase, in response to population growth, the facilities taken for granted by the State's citizenry.

The Government evidently cannot contemplate any wholesale redeployment of manpower, either Kuwaitis or non-Kuwaitis of long-standing residence. Citizens have a right to jobs and 3,000 each year, at the present rate, enter Government service.

Recently, Sheikh Jaber al Ahmed, the Ruler, acknowledged that 65,000 of the nationals and expatriates working for the Government were unnecessary—but for social and humanitarian reasons they would not lose their jobs.

Technical skills

There are plans for the training of Kuwaitis in technical skills so that dependence on expatriate man-power can be reduced. There must be scepticism about how successful they will be. Construction workers, especially those recruited and imported, can be sent home when their work is finished. Those people needed to run basic utilities and services cannot remain in Kuwait.

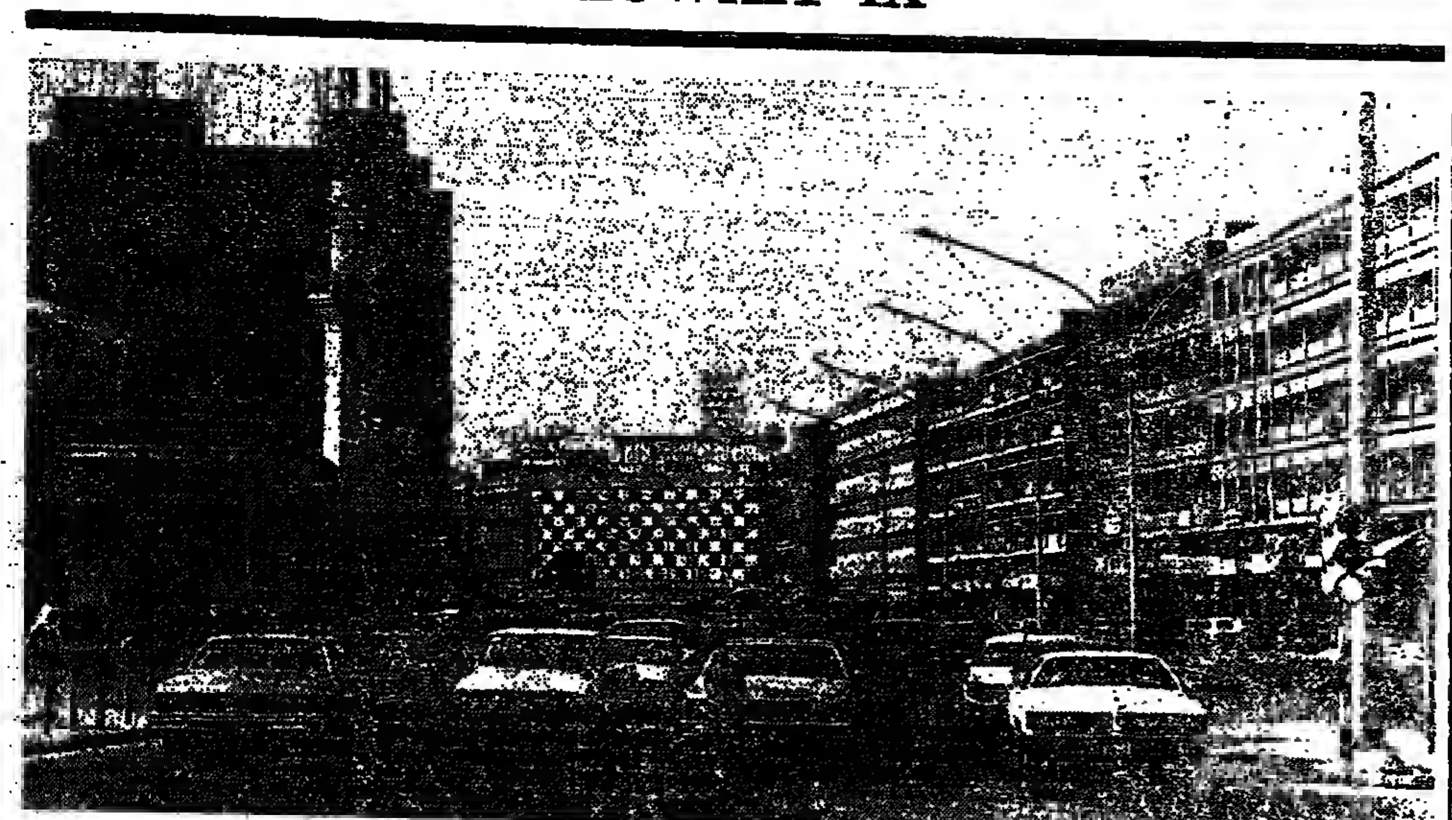
Quite apart from the need to keep on combating inflationary pressures and economic overheating, Kuwait needs an economic policy geared to a population policy—and vice versa. The drawing-up of guidelines by the Ministry of Planning must await the results of the census, says Mr. Adasani. The approach will be conditioned to assumptions about what the optimum population—from the point of view of demographic balance and minimum number of foreigners—will be by the year 2000.

Taking that as a basic reference, the strategy would be to adjust expenditure and development, with particular emphasis on manpower requirements and educational programmes linked to it. Achieving the right balance would be difficult for Kuwait, even if the planning function was accorded the status in Kuwait that it has not seen, hitherto. But will it be given the necessary priority?

"It seems there is no alternative," comments Mr. Adasani, who points to the importance attached to planning by the Ruler.

Certainly, the time has come for a more realistic appraisal of where Kuwait is going and a more determined attempt to direct its economic course.

Richard Johns



Plans are being made to reduce Kuwait city's traffic nightmare, although the number of vehicles is increasing by more than 14 per cent a year. Above: Fahd Al Salem Street, in the centre of the city.

City's curious blend of old and new

AMONG THE cities of the Gulf, Kuwait is unique for one thing—its size. It is the first aspect that you notice about Kuwait; the city starts at the airport, and if you are not too unlucky with traffic jams, after half an hour you may arrive at a city centre hotel.

Compared with other Arab cities its population is small, but in terms of the Gulf, it is enormous.

Kuwait is a curious blend of "old" and new—the new, built by its legendary rich private sector (which because of fantastic land prices, well exceeding those of Manhattan), have been forced to build upwards—and the "old," as represented by the 30-year-old suburbs where most of the State's Arab residents live.

To step into the new areas of Salmiya recalls some fashionable European shopping arcade—and, in contrast, a walk around Hawalli, the predominantly Palestinian suburb, is like stepping back into some backstreet of Beirut.

The styles of Kuwait are confused and varied as its inhabitants.

Back in a city centre hotel, a Czechoslovakian orchestra complete with cellos, flutes and violins regails Western diners with Mozart sonatas in elaborate surroundings resembling some 19th century Viennese society restaurant. Just 40 minntes' drive away, stateless bedu are herding sheep, just like they've always done. And in between these two are the mansion houses of the Kuwaiti merchants, their facades decorated with anything from Greco-Roman pillars to Islamic archways.

Housing project

Varied it may be for the city's planners, the problem is keeping up with the sheer size of the population and its growth. Its expansion involves a seemingly endless process of house building, school construction and power station developments.

Just 25 years ago, the city state had a population of around 100,000, of whom 80 per cent were in the old city with the remainder in the oil city of Ahmadi. Nowadays, conservative estimates hover around the 1.4m mark but the number is probably much more. The annual rate of increase is about 6 per cent a year. Demand on the public utilities register is greater growth rates than that—demand for electricity soared by a massive 25 per cent last year, not only because of the natural population growth but because of the thousands of new houses being put into commission.

If the growth rate is maintained at its present pace, city planners estimate that the population will be over 2.7m people by the year 2000. By that time, 90 per cent will be living in the urban area. By then, say the municipal architects, Kuwait city will stretch all the way to the Saudi border, in the south.

The density of the city will require careful social planning, for in a town where the population is split in two—local citizens and foreigners—it cannot be baphazard.

Previous housing development policies have meant that the urban area is virtually segregated into Kuwaiti and non-Kuwaiti areas, for the large new housing estates are exclusively for nationals.

Providing homes for poorer Kuwaiti citizens is one of the Government's top development priorities. It has also been one of its major successes. The National Housing Authority was established in late 1974. Its record is nearly 25,000 houses completed or under construction, but waiting times are still long.

When the NHA began its operations there were some 22,000 applications. Most of those have been satisfied—but each year there are more than 5,000 new requests.

One of the unique characteristics of the Government's housing programee in Kuwait is the way in which the population has been carefully divided up into income groups. The lowest category is "rural" housing for the bedu, who until now have been left, stateless, and living in shanty towns dotting the city's outskirts.

In 1976, the population of these sprawls of corrugated iron sheds was estimated at 120,000 until a Government decision called for a crash programme to rehouse them.

Since then, some 10,000 houses have been built and within the next two months, the Authority hopes to have finally rid Knwait city of its shanty towns. Their new houses have been specifically designed around bedn habits, incorporating an area for animals—and naturally sufficient garage space for two cars.

The next category up is the limited income group, for which some 12,000 houses have been built. However, the waiting list in this group is around seven years and each year some 1,500 new applicants are added. Higher-income Kuwaitis, defined as falling in the "average" income category, have the choice of either accepting a two-storey villa with a nominal rent of KD 50 a month or buying a plot of land and receiving an interest free loan of up to KD 36,000 to build their own house.

Already, 2,500 villas have been provided in this category, though the National Housing Authority is still way behind in demand.

"By next year we will have satisfied 1975's applications," said one of its officials.

The next problem is where to put the new housing areas, for each development gets further and further away from the city centre. The urban population growth is such the two new development areas are now under study, one of which is more than 100 kms away from the city.

Kuwait only has a limited amount of land in which to develop, for the desert hinterland is where the oil and water resources are located, and thus the new areas have to be located on the already populated areas of the coast.

Subiya, in the north; and Khairan in the south, will eventually have populations of over half a million people say the planners. The problem is providing an employment base for the new towns.

Industrial plans

At Subiya, some consideration is being given to developing the coast into a transit port and it is hoped that some kind of industry can be encouraged to move there.

Housing for Kuwaitis is only half the problem. A recent report undertaken by the Shankland Cox Partnership for the Kuwait municipality indicated that the total demand, including that from non-Kuwaiti residents, would require an annual building programme of 17,000 units a year.

Although immigration is in theory expected to decrease from 1980 until the end of this century, by which time Kuwaitis will form more than half the popnlation, it is estimated that in order to cope with total overall demand, the supply of housing will have to be increased by more than six per cent every year.

The major task of housing the expatriate resident will fall on the shoulders of the private sector, which until now, has been reluctant to cater for this cheaper end of the market. The luxury type accommodation is still offering three-year write off periods, but nevertheless, rents are dropping gradually, and there are already 12-20,000 empty apartments in the city in the higher rent category.

However, until such time as rents drop to the levels that the average bank clerk or teacher can afford, sharing will continue to be the norm in Knwait.

"It may be a cruel approach to leave the Arab resident to the devices of the local landlord," commented one senior planning official, "but in the long run it is better for the economy than the goverment trying to interfere in the commercial property market."

For Kuwait's urban planners another associated problem of growing proportions is the traffic that is being generated by this growing population. It is one made worse by the average Kuwaiti's partiality for the biggest gas guzzlers turned out by Detroit. It is here that the plans and theories emanating from the Kuwait municipality take on their most futuristic flavour. Kuwait is strictly a two-car family country, for there are 267 cars for every 1,000 people. This compares with 45 cars per 1,000 only 16 years ago, when the major parts of the city were built. In 1977, for which the latest statistics are available, figures show there are some 269,000 cars on the road, together with 59,000 pick-ups and 8,000 taxis. The number of vehicles is growing by 14-18 per cent a year.

To cope with this growing traffic nightmare, a number of projects designed to lessen the flow into the city are under study. Firstly, there are the new concentrations of population being built in Subiya and Khairan. They will, it is hoped, lessen the flow of vehicles coming into Kuwait city itself.

Secondly, the municipality are planning completion of a sixth ring road and a series of centres with a total car parking capacity of 50,000 cars. The plan is that drivers will change on to clean, efficient public buses, though it is not clear whether they will be willing to. At the moment, buses are mainly a male, labouring class affair but plans by the local bus company include air-conditioned mini-buses running to and fro into the major commercial areas of the city.

Monorail system

To top these plans, the municipality is also studying an elevated monorail around 30-40 kms long crossing the city. The municipality is looking at a number of prototypes on display in various transportation study centres and universities around the world in Canada, the United States and Germany. The very minimum cost of such a project would be around KD 50m.

However, such sums are small compared with the amounts that will have to be spent on power generation in the coming decades. At present, per capita consumption is the second highest after the U.S. and Sweden. It is rising both relatively and absolutely.

If Kuwait is to keep pace with demand, it will have to more than triple its current supply, and must create more power than is being built by all of the Gulf states, put together. A recent report indicated that to meet the demands for water and power by the year 2000, would require four new complexes, two of which would have to have generating capacities of 1,500 MW and two of 2,000 MW.

By the end of the century, it is estimated that Knwait will need around 11,368 MW—7,000 MW more than is being planned for.

The rate of increase in consumption is greater than the rates of increase in capacity. Demand curves were recently estimated to rise around 13 per cent a year, but last year's consumption of power soared by a massive 25 per cent. Peak demand in August, 1978, was about 1,500 MW, but, by September the following year, it had gone up to 1,950 MW.

Last year, though, there was a comfortable excess of capacity of around 500 MW, but this year the "fat" will not be there, say consultants. The rapid jumps in consumption are caused not only by population growth, but also the completion each year of thousands of new houses, creating new users of air conditioners, which absorbs a large portion of the electricity supply.

Kathleen Bishtawi

Traders face profit cuts

FIRST IMPRESSIONS of Kuwait always involve money, and the making of it. A bank clerk at the airport casually asks an incoming passenger from London what that day's interest rate was in Britain. In the hotel coffee shop, two Kuwaitis discuss the Swiss Franc and land prices in the city. At the reception desk, a clerk says he often buys items from hotel clients—"you know, dresses, soap, steel—anything. You have to be into *something* here, don't you?" he explains.

The trading instinct in Kuwait starts at the bottom upwards. As the hotel clerk says, everyone is "into something" in Kuwait, importing into this legendary surplus market which grows in size by 6 per cent a year.

A small company in Kuwait is one with turnover of KD 25m, according to a long-experienced Lebanese businessman.

"The really *wealthy families* are likely to be the names you've never heard of, the people who are land-owners, stock-holders—the quiet unobtrusive names. They're up to the KD 600-KD 700m mark," he adds.

The merchant community of Kuwait is one of the region's oldest. It has been active since the 18th century, trading in pearls and foodstuffs with neighbouring countries. It was only recently that the riches of the merchant community outranked even that of the ruling family.

In the mid-30s, the entire budget of the palace and the royal family was equivalent to about $7,500 a year and was contributed, directly or indirectly, by the merchants. The two are still very closely linked, but unlike Saudi Arabia, there appears to be an unwritten rule in effect which precludes the Sabahs from indulging in trading. This long tradition has created the most highly sophisticated mercantile community in the Middle East.

A number of them have transformed into international business empires and are run on U.S. lines. One leading family in Kuwait obliges its executives to set themselves monthly targets and "confess" at open board meetings why those targets may not have been met.

Local business and industries are protected by a labyrinth of laws giving preference to local companies. Government contracts can only be *secured* through a local agent. Cheap land is offered as an incentive for industry, there is tariff protection on their products and relief from customs duty for new manufacturing plant and equipment.

The Government also provides cheap energy—petrol is still 12p a gallon in Kuwait.

Times may change in Kuwait, since planning officials believe the private sector has been "spoilt" long enough.

"Taxation is a perennial subject in Kuwait. "At the moment it is a laughing matter in a country like ours," commented one official. "Certainly, we do not need it as a source of revenue. But we do need it as a tool in the economy, to remedy certain trends."

Consideration is also being given to end the era of cheap energy in Kuwait, to make the public and industry alike, more aware of the real costs.

Despite the incentives, few of the merchants have gone in for large-scale industrial projects. One company, for example, which did a feasibility study on the possibilities of an air-conditioning unit assembly plant, found that with the high overheads and labour costs, it would still be cheaper by as much as 20 per cent to import them from Japan or the U.S.

"In a market as small as this, you cannot get the economies of scale," commented a company official.

The last two years have not been the easiest for many Kuwaiti merchants.

The economy was marked by no real growth in the Government's capital development budgets, apart from that which can be accounted for by inflation. Thus, the general slowdown is echoed in the import levels which, in 1978, showed a decline for the first time in many years.

Over-stocked

In 1979, a number of traders found themselves over-stocked and were left with millions of dinars worth of equipment and goods, stacked around waiting to be sold.

"There were a lot of projects still in drawers," commented one trader whose sales had fallen by as much as 30 per cent.

A number of the biggest names in Kuwait were obliged to cut down on their staffs, although this may have a long-term beneficial effect, as many were geared up for a boom economy.

There were also reports that a panies which had taken loans from the international banks had defaulted—not on payments—but on the conditions set by the banks themselves.

When the times became sticky, and with wavering foreign exchange rates, a number of them found the conditions difficult to meet. Payments around town generally slowed down, report some traders, as liquidity tightened when funds began to leave the country to obtain higher interest rates. All of them report slightly higher turnover, but decreasing profit margins.

In some cases, their margins were dropping faster than their turnover increasing, thus representing an overall shrinkage. The next few years will see a separation between those which have adopted modern management techniques and those whose administration still remains largely traditional, in the hands of a few family members.

In the construction industry, the competitive pace heated-up considerably in the past year and British contractors which had left in the early 1960s, showing an interest in the state found themselves up against very stiff competition from the Koreans and Japanese.

The Koreans have long been impressing the Kuwaitis not only for their cheaper prices but also their ability to complete a good job on time. For a recent KD 10m contract on the sewerage system, Hyundai managed to finish the first part of the development ahead of time. Instead of the second phase being put out to tender through the Central Tenders Committee as normal, the Ministry of Public Works simply re-negotiated. Even the British consultant conceded that the quality of work was first-class.

The Koreans are also proving hard to beat. On a recent motorway contract, the South Korean bid was KD 13m and the British offer KD 23m. On another similar project, the British bid was closer — within KD 1m of the Korean bid.

Protection

To protect its national industries, the Government is insisting that a number of construction materials be bought locally—such as tiles, piping asphalt and cement. This may cut down the Korean competitive edge as orders will have to be placed locally, rather than being provided from Korea.

However, one project for which the Koreans bid was offered by them at KD 20m if local materials were used—and KD 17m if their own supplies were employed. The lower offer was accepted. At times, the Korean bids are even below the prices expected by the consultants.

The overall import figures for 1978 which are the latest figures available, show an 8.5 per cent drop over the previous year, from KD 1.38m to KD 1.26m.

Japan headed the list of importers into Kuwait with KD 247m or 19.5 per cent of the market, the U.S. came second with KD 197m which represents an increase in its market share from 13.6 per cent to 15 per cent, and Britain came next with just over 10 per cent. Korean exports were halved as major contracts edged towards completion in 1978, from a level of KD 83m to KD 37m.

It is estimated that some 16 per cent of Kuwait's imports are destined for re-export, mainly to Iraq and Iran. Iranian trade has improved considerably in recent months and many of the major traders report spectacular sales to visiting Iranian merchants. "They are buying anything and everything," said one trader, who had just sold nearly KD 3m worth of pick-up vehicles to Iran. However, the volume of sales, while giving a much-needed lift to a sluggish home market, are not sufficient to encourage increased ordering.

Competition

Kuwait's future transit trade will depend, to a certain extent, on its ability to handle incoming cargoes, for all the Gulf ports are now seeking to fill well-equipped berths which were planned in expectation of *the boom continuing.*

In the face of such tough competition, prospects for European contractors could look gloomy, but they are not impossible. One British company, Biwater Shellabear, won a reservoir construction contract in the face of Korean bids merely by linking up with a local contractor and making use of his skilled Arab staff of engineers and designers. The normal overheads on expensive expatriate supervisors were thus reduced.

Two American companies, Johnson Bros. and Sangumo, have also managed to beat the Koreans by the use of more economical, but skilled, labour from other countries.

There appears all too often to be a tendency by British contractors to lay the blame on the Kuwait Government contract conditions, say local consultants. "In fact, the conditions are little different from those in any other Arab state and they are coming closer to FIDIC all the time," remarked one consultant.

With the slow-down in other countries, particularly the UAE and Iran, there are likely to be even more eager contractors searching for work in Kuwait.

Already construction costs are falling, by as much as 25 per cent over the past two years one consultant estimated. Nevertheless, Kuwait will be a buoyant market for the indefinite future with many large-scale contracts on the horizon. It is also a straight market—all contracts are adjudicated by the Central Tenders Committee and bid-prices published in the official gazette. Furthermore, the Kuwaitis are increasingly quality-conscious.

Overall, British exports to Kuwait took a knock last year, mainly because of the completion of a ship-building contract by the Govan yard for the United Arab Shipping Company. Market share is estimated to have gone down from around 10 per cent in 1978 to 8 per cent last year. In 1976 exports totalled £144m; in 1977 they were £243m and the following year they had risen to £332m. Then, in the first nine months of last year, the level had dropped to £218m, compared with £304m for the same period in 1978. Britain was, until last year, holding the third position in the league table and was first in the ranks of EEC importers to Kuwait, but it is likely that the 1979 figures will put West Germany ahead of the UK.

Kuwait's main port at Shawaikh is, in contrast to other ports in the area, expensive and lacking in some facilities — particularly with regard to containerisation. handled at Shawaikh, Kuwait bashas yet to build a purpose-built facility. In 1978 Shawaikh handled 73,360 TEUs (20 ft equivalent units), and the following year it was up to 120,945. Expectations for this year are around the 165,000 mark.

Already some 60 per cent of all incoming cargoes are containerised, and shipping companies believe that a further 20 per cent could be handled this way.

Squabbles between the operators and the Port Authority in the past year led to the container terminal being handed over to OCL this year, and now plans are being made for fully-equipped facilities for the near future.

Three container berths have been earmarked in the general nine-berth expansion plan, but, meanwhile, the Port Authority is believed to be considering renting some gantry cranes so that berths 12 and 13 can be quickly converted into container facilities. Officials realise that Kuwait cannot wait another five years until development plans are completed, if Shawaikh is to remain a major Gulf port in the face of cheaper, more efficient, facilities in the lower Gulf.

Kathleen Bishtawi

Investment of surplus revenue

NO STATE reacted with such alarm and apprehension as Kuwait to President Carter's decision, last November, to freeze Iran's assets. The measure—taken as part of the American campaign to obtain the release of the diplomats held hostage in Tehran—was described by Mr. Abdel Rahman al Attiqi, Minister of Finance, as "something shocking."

The action was bound to disturb Kuwait. It has long-recognised its limited absorptive capacity and invested surplus revenue as an alternative source of income for the future.

Kuwait is now believed to have accumulated something in the region of $40bn to $45bn.

Like any big investor, Kuwait has sought to spread its risks, both from a political and financial point of view. In terms of interest, capital appreciation and long-term prospects; as well as security those responsible for deploying Kuwait's assets have come to regard the U.S. as the best repository for the bulk of the State's investment funds.

Vulnerable

Kuwait's identification with Iran is understandable. The scenario most obviously worrying Kuwait would, it must be presumed, be one in which its assets might become vulnerable as a result of its participation in oil sanctions against the U.S.

Mr. Attiqi asked: "If the U.S. with its pre-eminent position in tha world can do this—what about everyone else?"

In the same vein, Sheikh Ali Khalifa al Sabah, Kuwaiti Minister for Oil, warned: "If a country is not prepared to hold our monetary reserves in safe keeping, we can think up something on oil production."

Already Kuwait, like the other Arab oil producers, had witnessed with mounting concern the value of investments eroded by the depreciation of the dollar and inflation.

One thing is certain: oil conservationist tendencies have been strengthened by the shock.

Nevertheless, Kuwait remains committed to building up a diversified fund to provide an alternative source of income for the distant day when oil resources are depleted.

The policy goes back at least as far as 1952, when the old Kuwait Investment Board was established in London. In 1961 that became the Kuwait Investment Office, an agency directly controlled by the Ministry of Finance. It was responsible for handling the bulk of Kuwait's assets until the sterling devaluation in 1967, when Kuwait purposefully set about diversification, especially in the direction of the U.S.

It is only since the beginning of 1974, when its reserves amounted to rather less than $2bn that Kuwait has been able to invest on a truly massive scale. In 1976 the Government created the Reserve Fund for Future Generations, decreeing that no less than 10 per cent of revenue should be channelled to it and initially placing half of the state's better investments in it.

In the wake of the escalation of oil prices, seven years ago, Kuwait was second only to Saudi Arabia in its rapid accumulation of excess revenue. From the second quarter of 1974 until mid-1978, budgetary surpluses recorded in official statistics amounted to KD 7.39bn, or the equivalent of about $26bn. About $5bn of it was disbursed in aid, but the reserve was swollen by growing investment income.

Kuwait has generally been secret about the size and deployment of its assets. But in the summer of 1978 Mr. Attiqi did reveal that the State's reserves amounted to the equivalent of some $27.5bn at the end of 1977. A year *later they were* estimated to have totalled $35bn to $36bn. At the close of 1979, they would probably have amounted to something approaching $45bn.

A proportion of Kuwait's non-concessionary aid constitutes part of the reserves—bonds purchased from the World Bank and contributions to the IMF — deposits with Arab central banks, such as the sum of nearly $1bn placed with Egypt—bilateral loans to governments—investments in developing countries—and contributions to aid funds, including the KD 1bn paid up for its own. In addition, the total includes capital subscribed to pan-Arab projects and also Kuwait companies or institutions. The return from many

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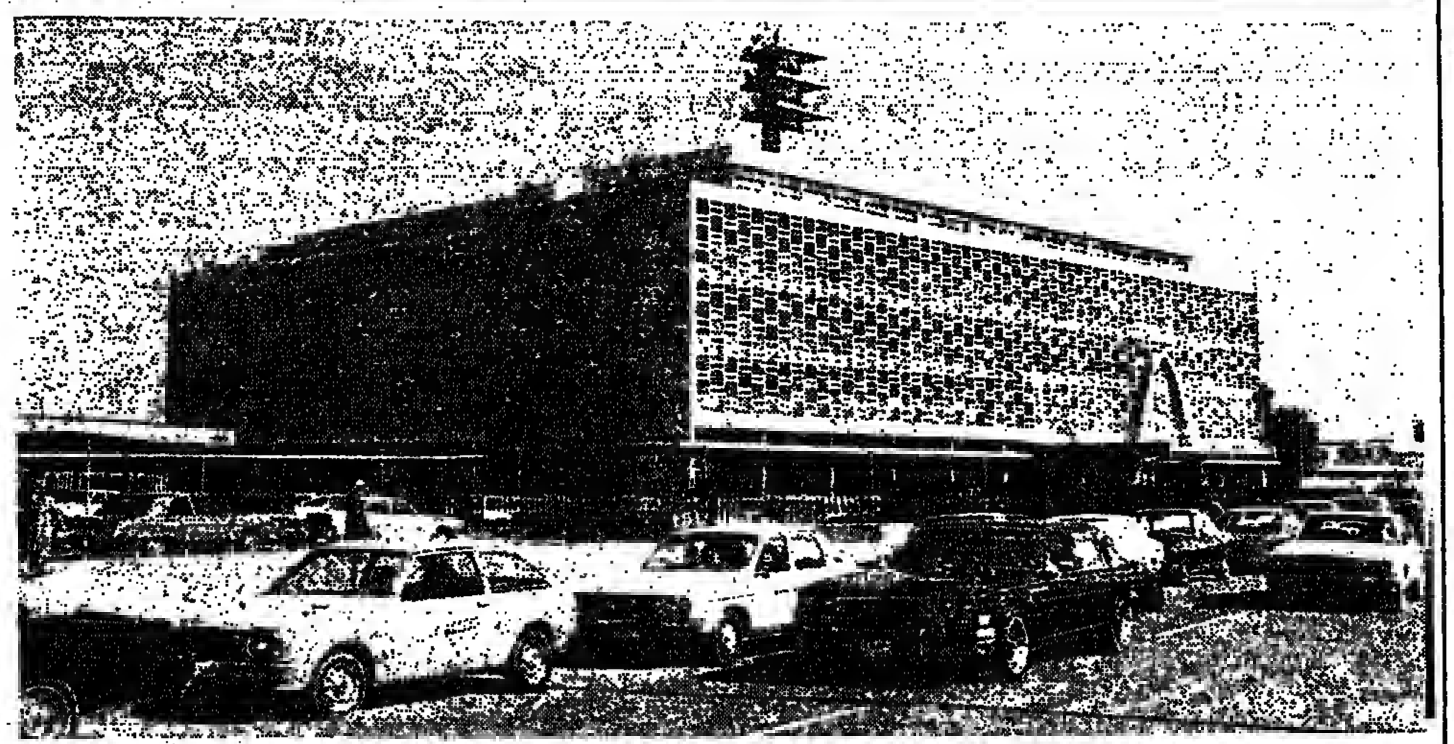
KUWAIT XI



A 50-member committee has been appointed to consider the re-establishment of a democratic system for Kuwait. The original National Assembly building (above) will be replaced by buildings now under construction

Moves to encourage new industries

INDUSTRY IN Kuwait, now no less than in the past, is dominated by oil. If the Kuwait Government has shown more forethought than some other oil-producing States in looking beyond the day when its immense resources eventually begin to dwindle, it has not yet firmly fixed on a strategy to replace hydrocarbons in its economy.

Indeed, it appears to take the view that in a country with few other raw materials, there would be little point in attempting even to evolve such a strategy. Better, as many Kuwait economists see it, to concentrate on making the best use of hydrocarbon reserves in order to spread the benefits as far ahead as possible.

Yet Kuwait has given, and continues to give, a good deal of serious attention to ways in which it might diversify. In the hydrocarbons industry itself, it is in the process of carrying out a major overhaul of existing refinery capacity that is intended to yield substantial amounts of by-products suitable as feedstocks for a range of new industries including a proposed $120m tyre plant and a $20m melamine plant.

Two other major projects, for an olefin complex and a hydrocarbon aromatics plant, worth around $500m apiece, are officially in the planning stages. The State-owned Petrochemical Industries Company is negotiating with potential partners and is carrying out commercial and technical feasibility studies. Yet there is some doubt on the part of observers in Kuwait whether either of these huge downstream investments will actually materialise as originally envisaged at the PIC's Shuaiba complex.

While the Kuwaiti authorities remain interested in principle in further downstream exploitation of their oil and gas, there is also growing concern that future industrial development in the Gulf as a whole should be taken into account.

Kuwait wants to see life breathed into the various bodies that already exist to co-ordinate major investment decisions and to avoid costly duplication.

Far more than other Gulf states, Kuwait is ready to invest in plants elsewhere rather than build them itself: thus persistent reports have it that the proposed aromatics plant may, with Kuwaiti participation, be constructed in Bahrain or Qatar.

Besides the wish to avoid wasteful duplication of complex and expensive facilities, Kuwait is under several other constraints as it considers the future course that industrialisation ought to take—and not only that of the oil and petrochemicals sector.

Housing policy

The Government is currently preoccupied with evolving a more efficient housing policy and, with it, new physical planning criteria. Space for large new industrial projects is scarce, and there is also growing concern to avoid industries that would add further to environmental problems: recent ecological studies of the Gulf itself have underlined the fact that pollution is already serious.

Officials at the Planning Ministry and at the Industrial Bank of Kuwait (the joint private-State institution immediately concerned in financing industrial projects) agree that several criteria will have to be met by future undertakings. They will have to be clean, and they will need to be sure in most cases of export markets in order to be viable. Not least, they will have to be capital intensive if they are not to add to the demand for additional foreign labour, which Kuwaitis are unanimous in believing is far too high already.

These conditions, as Kuwaitis recognise, make it extremely hard to identify sectors suitable for expansion. Over the past two decades, the Industrial Bank has helped to create an industrial structure that is already widely diversified, financing companies that are engaged in building materials and systems, shipbuilding and repairing, vehicle parts and assembly, metal extrusion, tin can manufacture, electrical engineering, paper recycling, soft drink bottling and poultry farming among other things.

In several of these areas, Kuwait is, as a result, approaching self-sufficiency and is able to export to neighbouring states.

Yet, beyond developing further in these areas, Kuwaiti planners seem to have few definite ideas about how industrialisation ought to proceed. It is easier to judge policy by the projects which have been shelved or directed elsewhere than by any clear trend in recent proposals.

Besides the probable shifting of the olefin and aromatics projects away from Kuwait, the State has also decided against iron and steel (despite its shareholding in the West German Korf direct reduction group) and against aluminium smelting.

Ideally, Kuwait planners would like to see the existing base strengthened by new investments in capital-intensive sectors, such as electronics. Yet there are difficulties here, too. Kuwait is a high wage cost country compared to the Far East: it is also short of skilled labour suitable for the highly-trained servicing and maintenance jobs that highly automated industries create—assuming, that is, that it keeps to its resolve not to raise the numbers of expatriate community. So far it seems to have proved hard to persuade young Kuwaiti nationals to go in for engineering and technical careers in sufficiently large numbers to meet the gap.

It has proved equally hard in recent years to interest Kuwaiti private investors to put their money into industrial ventures. Officials concerned with industrial planning can point out how far the private business community is already "spoilt" in Kuwait by cheap money from State institutions, tariff protection, customs concessions on imports of raw materials and machinery, low energy costs, cheap sites and virtually non-existent taxation.

Hard to match

Yet, all this does not seem to be enough to entice many potential investors into industrial projects, which can seldom match the enormous rates of return experienced in recent years on the local stock market, from property or from merely depositing cash in European bank accounts at current interest rates. And even where an entrepreneurial spirit does exist, doubts still remain about the wisdom of basing marketing calculations on the assumption that economic links with Iraq or with the smaller Gulf states will necessarily blossom in the near future.

If all this tends to put industrial diversification on the back burner, the Kuwaiti authorities do not appear unduly concerned. Oil, financial services, and to an increasing degree, investment income from abroad, make it certain that Kuwait need not worry for many years yet whether it will hav eenough to live on.

Adrian Dicks

Surplus revenue

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of these assets can hardly (or not at all) be considered commercial.

At the end of 1974, 64 per cent of reserves were of this variety, according to figures released by the Government. Loans to Arab countries amounted to 15 per cent, other aid to them 10 per cent, participation and loans to Kuwaiti companies, 19 per cent, funds invested in state organisations 18 per cent, and money placed with international organisations, 2 per cent.

As a proportion of the total, such assets would have declined over the past two years.

These assets form part of the General Reserve, rather than the Reserve Fund for Future Generations. The former does, however, contain some commercial investments, though generally speaking, less profitable ones. Also included are the gold and foreign exchange reserves of the central bank which amounted to the equivalent of about $2.8bn at the end of 1979, and also $2.5bn to $4bn in liquid form to cover a year's budget spending.

According to Kuwaiti officials, the total is more or less divided 50:50 between the General Reserve and the Reserve Fund for the future generations. The Government's investment income from both was calculated at KD 517bn, ($1.9bn) in 1978, nearly 30 per cent of Government expenditure in that year.

Kuwait's long-term investment strategy has aimed at holding about 60 per cent of assets in equities convertibles and real estate and most of the balance in bonds and other top-grade securities.

The emphasis inevitably on the U.S. which, as Finance Ministry officials point out, accounts for some 60 per cent of the available equities in the world and almost as big a proportion of fixed instruments.

Despite the depreciation of the dollar, there is confidence that ultimately it must prove the strongest currency because of basic strength and self-sufficiency of the U.S. economy.

It has three portfolio managers handling portfolios of equities and other investments, apart from real estate—Citibank, Chase Manhattan and Morgan Guaranty. The concentration has been on blue-chip stocks, but such has been the increase in Kuwait's ownership of U.S. shares that it has increased its range of holdings.

The Kuwaiti Finance Ministry also sees the American real estate market as the most important. In this field, at least, one new portfolio is understood to have been established in addition to Chase Manhattan and the Bank of America, its investments in U.S. property are regarded as among the best, giving an annual yield of 8 to 9 per cent compared with an average yield of only 3 per cent for Europe.

However, one unresolved cause for concern has been the legislative amendments designed to remove the exemption from tax, hitherto enjoyed by foreign governments in respect of property owned in the U.S.

The Kuwaiti Investment Company, which is 50 per cent State-owned, has also been active in the market, notably with its purchase in 1974 of Kiawah Island, off the coast of North Carolina. But that was a very much less than successful investment.

Investment in Britain continues to be handled through the Kuwait Investment Office in London.

Since the acquisition of St. Martin's Property Company, in 1974, here again policy has been to a low profile and that has been helped by the confidentiality with which the UK authorities have treated subsequent purchases. Kuwaiti ownership of real estate in Britain is believed to be substantial.

The introduction of the requirement that holdings in UK companies of 5 per cent or more should be disclosed showed the extent of Kuwait's possession of British equities. But about half of investment revealed is in insurance companies while 17 of the 42 companies last listed as having a Kuwaiti stake of 5 per cent or more were investment trusts.

Kuwait's most outstanding industrial investments have been the shares taken in Daimler-Benz and La Ciotat, the French shipyard. These are now only the tip of the iceburg.

As part of its policy of diversification, a number of portfolios were set up four or five years ago. Those known to be handling them are Deutsche Bank, Dresdner Bank, Commerzbank, Swiss Bank Corporation, Union Bank of Switzerland, Credit Lyonnais, Algemene Bank Nederland, the Amsterdam-Rotterdam Bank, Société General de Banque and Credit Bank (the last two Belgian). Others in Japan are managed by the Industrial Bank of Japan and Mitsubishi Bank.

Fears aroused by the U.S. freeze of Iranian assets has intensified attention on the potential for increasing Kuwait's investments in the Arab world and developing countries that has always been a strong political aspiration, but one hard to realise because of administrative and other obstacles, as well as promising little in the way of immediate return.

In this respect, the most important vehicle so far has been the Kuwait Foreign Trading and Contracting and Investment Company, which is 85 per cent state-owned. It manages the state's substantial share in the Kenana Sugar Company's project in Sudan and its stake in the Suez-Mediterranean pipeline.

The Kuwait Hotels Company (50 per cent state-owned) has equity in a number of ventures. The Kuwait Real Estate Investment Consortium, in which the Government has a 20 per cent share, is undertaking investment projects in the Arab world.

Kuwait is a shareholder of the Gulf International Bank and the Arab Investment Company.

A new venture, late last year, and being launched jointly with Libya, is the Arab Bank Corporation, a Bahrain-based offshore finance house. Its purpose is to carry out a full range of commercial, merchant and investment banking services. Other Arab states will be invited to participate. The project is very much in line with Kuwait's desire to deploy more of its surplus wealth for the development of the Arab world where viable projects exist and a modicum of security is assured.

The talk in Kuwait now is increasingly about investment in productive enterprises and natural resources, especially agricultural development and exploitation of minerals.

The State has shown its intent with its involvement in the Kenana project and the joint-company formed with Mauretania, aimed at fulfilling its potential for producing iron and phosphates. The former, at least, is unlikely to be profitable for the foreseeable future.

Kuwait acknowledges the difficulties confronting inter-regional investment. But for political reasons it will intensify its efforts in that area—but not at the expense of a healthy investment income from the West.

Richard Johns

Dramatic changes in the last 30 years

KUWAIT FELT the force of massive oil revenues sooner—and in a more sudden and dramatic form—than any other Arabian oil state. The deluge was a result of a combination of circumstances, all entirely beyond is own control.

The starting point was Mossadeq's nationalisation of the Anglo-Iranian Oil Company (now BP) in 1951, which led to the oil companies' embargoing oil from Iran, then by far the biggest producer in the Middle East, and to BP losing three-quarters of its oil supplies. The company had to look for replacements.

The obvious answer to BP's problems was Kuwait, where the company had a 50 per cent stake in the concession and where, in the later 1930s, it had discovered the Burgan field, which was then thought to be the biggest in the world.

Furthermore, through a lucky accident of geology, Burgan was not only large but just a mile or so from the coast and extremely easy to produce. To this day, the oil flows entirely under its own pressure from the reservoire into the holds of the tankers ten miles offshore.

As BP embarked on a crash development programme, Kuwaiti production rocketed.

The second windfall was the 50-50 profit split, which was introduced in 1948 by the Venezuelans, who then sent delegations to the Middle Eastern countries to explain the new system. In Kuwait's case, 50-50 was agreed in the first half of 1951 and it increased the State's revenues per barrel from 22 cents to about 80 cents.

Kuwait's oil revenues at that time were paid one year in arrears (a system that continued until 1964), so the combined effects of the new tax deal and the Mossadeq crisis were not felt until 1952. But then the effect was colossal. In that year, the State's revenues jumped from $18m to $56m, and in the following year, when Kuwait became the biggest oil producer in the Middle East and the fourth biggest in the world, its income reached $169m.

By chance, it happened that the surge in Kuwaiti oil revenues followed closely on the accession of a new ruler, Sheikh Abdullah Salem, a liberal man, who was better suited to the new times than his well-respected but conservative predecessor. Immediately, Sheikh Abdullah was confronted with the question of what to do with the flood of new money. His own instincts and the traditions of his family, which had always been more closely bound to the local merchant community than had the ruling families of other Gulf states, dictated that he should distribute his wealth among the population. So, over the next few years there evolved a whole series of Government practices which were the Ruler's way of putting his decision into effect.

These practices began in an ad hoc manner, without the Ruler ever announcing a formal policy (which would have been unthinkable in the Arabia of the 1950s), but with the prespective of time they are now seen as the foundation of most of the economic and social attitudes that are regarded as being distinctively Kuwaiti.

Ruler's decision

Naturally, it became the practice to employ as many as possible of the population in government: this was a simple extension of the traditional system of tribal patronage. Employees were also overpaid for jobs which often required only perfunctory attendance and symbolic effort. A key development at an early stage, in 1952, was the Ruler's own decision to order the Development Board's five British contractors to take Kuwaiti partners. From this decision, which involved Shaikh Abdullah simply appointing a merchant partner for each contractor, stemmed the Kuwaiti policy of insisting that nationals have a majority of all businesses in the state.

The most important method of enriching Kuwaitis was, and still is, land-buying. At the very first meeting of the Development Board in January 1952, it was decided *not* to peg land prices in Kuwait.

It is doubtful whether anyone foresaw what the significance of their decision would be in the long term, but on the basis of the free land price policy there evolved the Kuwaiti Government practice of buying land at inflated values with the specific intention of enriching Kuwaiti citizens.

When the board first started buying land for development in Shuwaikh, now an industrial area to the west of Kuwait city, it was paying under 10 cents a sq ft. Ten years later, the price had already reached $150 a sq ft and it has been soaring upwards ever since.

Over the years, the land purchase policy has come to benefit almost all of the indigenous population, giving citizens sufficient capital to build not only their own houses (on land leased back from the government) but also to build apartments for letting to immigrant foreigners.

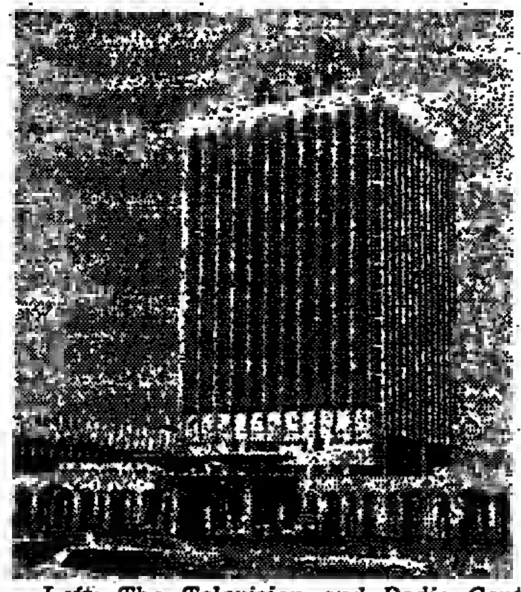
Today, over 70 per cent of Kuwaiti families have their own private income from rents. In the short-term, however, the biggest beneficiaries of the land policy were some of the merchant community, who were given land by the ruler, and other members of the al Sabah family, who laid their claims to land by going out at night and cordoning off large pieces of desert with oil drums.

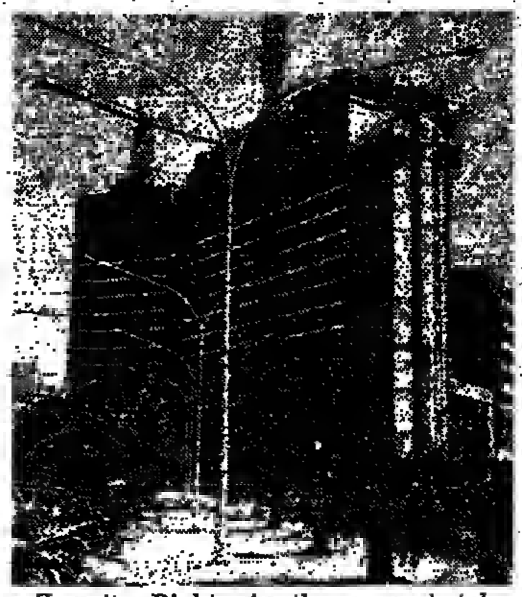
Although nobody specifically own the desert, it was not open to anyone to stake a claim, as pioneers could on the American frontier. Insofar as anyone was supposed to have had title to it, the land outside the town had been taken to be the property of the Ruler and the al Sabah in general, which meant that nobody outside the members of the al Sabah would dare land-grab unless he had the connivance of a powerful sheikh.

Kuwait was the source of the first Arabian "Golden Cadillac" stories. The Ruler, Shaikh Abdullah Salem (1950-65), was a goodly man, well-loved by the elders of Kuwait, and known for his moderation and balance of judgement, which were the qualities for which he had originally been elected. However, he did not like detailed administration. He shrank from over-ruling the decisions of other powerful members of the al Sabah and became depressed to the point of melancholia when confronted by family disputes, all of which meant that much of what went on in his state was beyond his control.

The most influential figure in Kuwait at the time was Shaikh Fahad Salem, a large, strong man, who was half-brother of the Ruler and the son of a negro slave girl. (Today, one of the main streets of Kuwait city is named after him.)

Basing his empire on the all-embracing Public Works Department, he gradually extended his control over more and more of the administration until he was directly responsible for nearly half the departments of Government. He was by far the biggest spender of Government money, requisitioning millions from the Finance Department with no more than a hand-written chit and giving no explanation as to why he wanted the money.





Left: The Television and Radio Centre, Kuwait. Right: Another new hotel rises on Hilali Street, Kuwait city

Inevitably, this gave him great powers of patronage. People would seek a job in PWD to become rich."

Fahad was feared by Kuwaitis, though those Europeans who knew him say that it is difficult to tell why, because he was a pleasant, affable man, without any particular brutality in his character.

The cruel and bombastic member of the family was Shaikh Abdullah Mubarak, Fahad's bitter rival and the son of Shaikh Mubarak the Great (al Kebir), who ruled Kuwait in the early years of this century. Abdullah was a braggart feared for his capricious nature even though people made jokes about him, which they never did about Fahad.

There was also a rather sorry, fatuous aspect to the man. As well as being the official heir apparent (even though it was widely expected that Fahad would succeed in practice), Abdullah Mubarak was head of the police and the army; he awarded himself the rank of Field Marshal.

His behaviour in this role is illustrated by his reaction when a well-established Kuwaiti family in the late 1950s refused to leave its old house in the Safat area to make way for a State land clearing scheme.

As a defiance of Government authority, Abdullah Mubarak decided that the matter fell within his bailliwick in the police department. He told the family to get out—or "face the consquences."

When the family barricaded itself inside its house, he turned up in uniform with two 25-pounder guns and threatened to open fire. The family thought Abdullah was bluffing. So he loaded high explosive shells and fired. According to a witness, the shells went straight through the building, screamed over the town and exploded in the desert, where they killed a woman. The beseiged family "tumbled out of the house at a rate of knots."

The incident was regarded as being typical of Abdullah, but it shocked Kuwaitis. It concerned property, which, since 1952, has had a hallowed significance in Kuwait. More important, the incident affected a family of Kuwaiti citizens, not some wretched Iranian or Pakistani immigrants.

Sudden end

The era of Fahad Salem and Abdullah Mubarak came to a rather sudden end. There was a series of political disturbances in the later 1950s, when the younger generation of Kuwaitis was much affected by Nasserism, as well as a proliferation of political clubs and demands for a constitution, a parliament, a proper budget and more positive Kuwaiti association with the rest of the Arab world.

In response to these stirrings, the *ageing* ruler, Abdullah Salem, and other senior members of his family pressured Fahad in early 1959 into giving up some of his posts in a general restructuring of the administration. Then Jaber Ahmed, who had been given the Finance Department, refused to grant funds to PWD in the casual way that Fahad had come to expect, and this, in turn, caused Fahad to make what he thought would be a tactical resignation. Fahad, in fact, never held office again. He died of a heart attack in Bahrain on his way to the pilgrimage at Mecca. The al-Sabah were at great pains to see that a proper autopsy was carried out for whatever Kuwaitis thought at the time, Fahad had not been assassinated.

The death raised the awful prospect of Abdullah Mubarak becoming ruler after Abdullah Salem, though, as it turned out, the ruler lived on for another six years. Jaber Ali, the ruling family's able but maverick cynic, took over the Public Works Department and assumed the mantle of obstructing Abdullah Mubarak, among other things building an artificial hill on his own land in front of Abdullah Mubarak's palace, to block out his view of the sea.

But with full independence about to be granted by Britain, it was felt by the whole establishment, ruling family and senior merchants, that something fundamental had to be done to remove the heir-apparent's influence. In 1961, the Ruler made it known to Abdullah Mubarak, shortly before his departure on a visit to Beirut, that it would be better if he were not to return from his stay.

In every way the years 1959-1961 marked a watershed for Kuwait. Independence in June, 1961, was followed immediately by the threat of annexation by Iraq, which led to the return of British troops for a few months and then their replacement by an Arab League force.

Anxious to gain international acceptance and admission to the UN as quickly as possible, the Government dispatched a series of diplomatic missions to other Arab and newly independent countries, which on their return recommended the establishment of an international aid fund which would show Kuwait to be a responsible and outward-looking member of the world community.

Out of these recommendations emerged the Kuwait Fund for Arab Economic Development, established in December 1961, and indirectly (after a substantial time-lag) the Kuwait Foreign Trading Contracting and Investment Company, which although mainly commercial in its operations is Arab and Africa-orientated.

A significant aspect of these developments was the introduction into an important position of one of the first and best of the Kuwaiti technocrats, Abdatif al Hamad, who in 1962 became the KFAED's director-general.

At the same time, the ruling family put its house in order at home. In response to the demonstrations of 1959, it was conceded that there should be a constitution and a national assembly, and at the end of 1961 Kuwait held its first election, for a Constituent Assembly to draft the constitution and discuss the future workings of the National Assembly. (Elections for the National Assembly were held just over a year later, in January 1963).

In mid-1961 a new Government was announced, giving for the first time ministries to young technocrats who were not members of the al Sabah.

Hitherto, the big merchants had exercised an informal influence on the affairs of State through consultations with the ruler, but now there were commoners who had actual executive authority.

These men could, and refuse the requests of impo sheikhs. This had a shatte effect on the members of ruling family, who had viously been accustomed t garding the State virtuall their own property.

In the background there the steadily growing influen Jaber Ahmed, a pleasant clever man who has prot done more to mould the acter of modern Kuwait anyone, apart from Sh Abdullah Salem.

Shaikh Jaber Ahmed did become Prime Minister 1965 and Ruler until the of 1977, but even while be Finance Minister in 1959-6 become the most assertiv the Kuwaiti ministers. He a very definite concept Kuwait's nationhood and serving its sovereignty minimising the degree to w it suffers from the pressur having bigger neighbours.

Iraqi threat

As early as 1961, J Ahmed refused to allow British troops who had com fend off the Iraqi threat t the schools as billets, bec be disapproved of the Br presence and wanted to the British look as uninv as possible with the Ki

Now Jaber Ahmed's idea seen in Kuwait's tough lin oil prices and production le its ardent support for Palestinian cause (which beyond what would be dic by purely domestic consi tions), and its refusal to seen to be under We influence in such matter making large and prompt tributions to IMF petrod recycling funds.

Jaber Ahmed acknowle that there are many deci in the Arab political a which Kuwait is oblige make, whether it wants i not. His philosophy is th Kuwait can be seen to be c of its own conviction, and be thus seen to be among leaders of the Arab work neighbours will come to of Kuwait as a less vulner stronger, "bigger" State, the pressures on it to bo the will of its neighbours decrease.

Michael F

Israel's nagging mood of insecurity

BY REGINALD DALE, recently in Israel

IN CAIRO last week the Israeli flag was hoisted for the first time ever over a Jewish Embassy in an Arab capital. Just three years ago, such an event would have been unthinkable. Yet there is little enphoria in Israel at this symbol of the two countries' efforts to normalise their relations in the wake of the historic Camp David peace agreements. On the contrary, many Israelis now fear that their Jewish State may be facing one of the most difficult periods in its precarious 32-year history.

It is not that the so-called "peace process" has lost support in Israel. Most Israelis still believe that it should he given a chance to prove itself in practice—or demonstrate once and for all that it cannot work. But suspicion of Egypt remains deep-rooted. Even among those who acknowledge that peace is in Cairo's interests tno, there la a fear that the Egyptians might at some stage in the future be drawn into new hostilities against their will. Now, nervousness has been added by fresh tension in the Lebanon to the north and the growing strength and sophistication of the Syrian and Iraqi armed forces on the country's eastern front.

In some individual cases, the peace process has led to specific grievances. The settlers preparing to pull out of the Northern Sinai are bitter about abandoning their homes and feel cheated by their own Government in Jerusalem. Both compensation, and information about it, they complain, have been inadequate. Long-standing settlers in the Jordan Valley resent the activities of the fanatical Gush Emunim sect that is aggressively trying to settle new areas while the fate of the West Bank remains undecided. Such people, the earlier pioneers say, give Jewish settlements a bad name in both world and Israeli opinion.

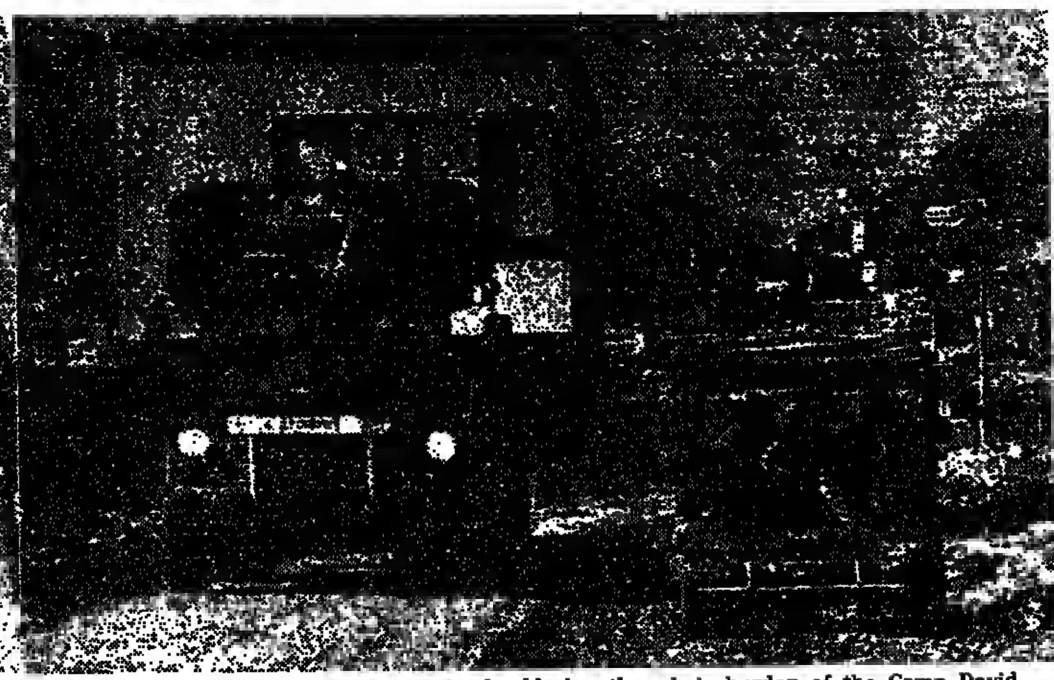
Underlying such personal preoccupations is a wider feeling that the Western world has not fully appreciated the sacrifices that Israel has made in the interests of peace with Egypt—most notably the withdrawal from Sinai and its oilfields. As Prime Minister Menachem Begin puts it, the whole burden of implementing the peace treaty over the last nine months has fallen on Israeli shoulders. Support and understanding from the U.S., which could normally be expected to reach a high point in an American Presidential election year, has not fulfilled Israeli expectations.

Washington, in the Israeli view, has failed to understand that the real threat to the Middle East comes from instability throughout the Arab world, and of course from the Soviet Union, not from the Palestinians on the West Bank. Europe, for its part, has been duped by Yasser Arafat into believing that his Palestine Liberation Organisation (PLO) has genuinely forsaken violence and chosen the path of moderation.

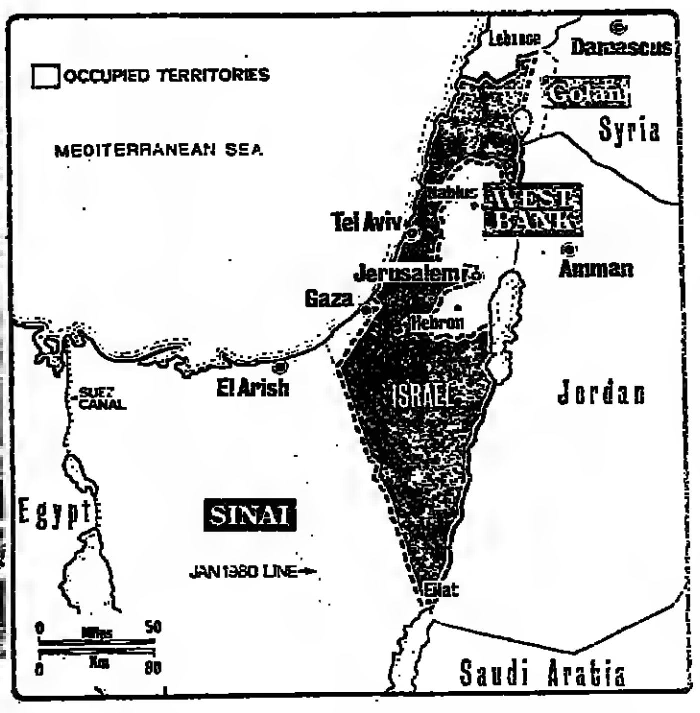
In both military and political circles, there is growing concern that in the not too distant future Iraq will either develop or acquire nuclear weapons. Some fear that Israeli youth, brought up against the background of a modern consumer society, may have less stomach for the fight than their pioneering forebears. Last but by no means least, the foundations of that very consumer society are now under threat from within. With inflation running at an annual rate of over 150 per cent at the end of last year, the value of money to many Israelis has become virtually meaningless.

Meanwhile the future status of the West Bank and the Gaza Strip, with their 1.2m Arab inhabitants, remains unclear—although the so-called "autonomy" negotiations under the Camp David agreement are meant to be concluded by May 26. Any move towards the establishment of a Palestinian State on the West Bank makes most Israelis distinctly jittery. The area is unanimously regarded as far more strategically important than Sinai, and Mr. Begin's alarmist view that a Palestinian Government would immediately call in massive Soviet military aid is widely shared.

More immediately, recent Syrian troop movements in the Lebanon have stirred fears of a Syrian offensive that might, even, in the view of some Israelis, be backed by a powerful Iraqi expeditionary force. If that succeeds in forcing President Anwar Sadat of Egypt to pull out of the Camp David process, Israel would have handed back Sinai and its oil wells for nothing.



Israel's Prime Minister, Menachem Begin (left), feels that his country is shouldering the whole burden of the Camp David agreement. A truck is pictured (right) carrying a house trailer for a new Israeli outpost near the West Bank city of Nablus last month.



Veering

Even for Israel, that is a long list of preoccupations. Many of them are not without foundation, although they often look a little different through European eyes. It is true, for example, that European public opinion has veered towards the Palestinians in recent years, and that a [illegible] reduction in PLO terrorist activity in Western Europe (though [illegible]) may be one factor behind this.

But there are at least [illegible] other considerations: one is growing European distaste for Israeli policies, as exemplified by new settlements in the occupied territories, attacks on civilians in southern Lebanon—witnessed at first hand by Dutch and Irish troops with the United Nations' peace-keeping force (UNIFIL)—and the generally colonialist flavour of Israel's presence in Gaza and the West Bank. The other is the growing realisation outside Israel that the PLO's endorsement is essential if there is to be a genuine solution to the Palestinians' problems. But it is hopeless to try to explain this to most Israelis, who tend to explode with megaton force at the first breath of outside criticism or disagreement.

It is equally true that the U.S. is not coming up trumps in usual election-year fashion. President Carter's fiscal 1980-1981 budget has disappointed Israeli expectations, at a time when the country is desperately short of foreign capital. The Jewish lobby in Washington is less powerful than it used to be and increasingly divided in its opinions of Israel itself—for much the same reasons that have been influencing European public opinion. Nevertheless, the overall American commitment to the support of Israel remains. In the words of one U.S. official, "a permanent feature of Government policy for ever."

Following the recent appointment of Mr. Sol Linowitz as President Carter's special Middle East envoy, the Americans are expressing confidence that the deadlock in the "autonomy" talks can be resolved and that the Palestinians, whatever they say in public, will finally accept the outcome as an interim solution. That may be over-optimistic. Leaders of Palestinian opinion on the West Bank say they would rather stay as an occupied territory than go along with any of the interim solutions likely to be acceptable to Israel (they are vaguer about the Egyptian proposals that would confer a much greater degree of self-rule) and say that few if any of the West Bank's inhabitants would vote in the envisaged elections for a new self-governing authority. (The Israelis would put mass abstention down to PLO intimidation.)

Federation

But even if the Palestinians accepted the proposed five-year transitional arrangements, that would not answer the ultimate question: is there or is there not to be not to be a Palestinian State? Mr. Begin will have none of it: the Palestinians say they will settle in the end for nothing less. The opposition Labour Party, while officially favouring splitting the West Bank with Jordan, is privately toying with the idea of an Israeli-Palestinian-Jordanian economic federation on the lines of Benelux.

But whatever the outcome, virtually all shades of Israeli opinion are united in insisting that Israeli troops must remain indefinitely in the Jordan Valley in sufficient numbers to resist an attack across the river from the East. The great fear is that a thrust up one or more of the five passes through the barren West Bank mountains would place an enemy in a position to drive down to the Mediterranean, bisecting the country at its narrow waist.

That, together with the spectre of an "Islamic bomb," is the threat most dreaded by Israeli generals and politicans. To the south, the Sinai withdrawal is inconvenient. It means building new air bases in the more cramped confines of the Negev desert and losing some early warning stations. But the generals are confident that they could re-take the Sinai if necessary. Provided it stays demilitarised, as foreseen under the peace agreements, the Sinai would remain, in the words of one Israeli military analyst: "an Israeli military playground" in time of war. With Egyptian armoured formations only just east of the Suez Canal, the Israelis would anyway have some 36 hours to deal with the Syrians in the north before Egyptian tanks arrived at the country's southern border.

For the moment, the Israelis confess they are not sure what Syria is up to—although they have a sneaking fear that an offensive could be in the offing. Most analysts discount a frontal Syrian assault on the Israeli-held Golan Heights or the narrow southern Lebanese buffer zone held by Israeli-backed Christian militia units under Lebanese Major Sa'ad Haddad. But they do not exclude the possibility that Syria is "coat-trailing"—looking for an excuse to start a new war of attrition, conducted by artillery and missiles, which could cause serious Israeli casualties. If Israel could be branded as the aggressor in such a war, pressure would mount on President Sadat to break off contacts with Jerusalem.

The nuclear threat is further down the road. But at least one senior Israeli general insists that the Pakistanis will be in a position to supply the Iraqis with a nuclear bomb by 1983. They might not be able to provide a delivery system. But the Israelis are adamant that they cannot afford the risk of one single nuclear strike, however primitive, on their small, crowded country. With the very survival of the State of Israel at stake, the Israelis would at some point clearly have to go public with sufficient details of their own undoubted nuclear capabilities so as to deter an attack.

In the meantime, the economy will have to brought under control if the State is to resist erosion from within. With salaries, wages and tax bases largely linked to the cost-of-living index, everyday life has been substantially cushioned against the phenomenal rate of inflation. But the balance of payments is in yawning deficit (making American financial support that much more vital) and unemployment is creeping steadily upwards. That is particularly serious in a State which feels morally and religiously obliged to provide a job for every Jew who chooses to live there.

The new Finance Minister, Mr. Yigael Hurwitz, is generally thought to have made a good start in tackling the problem, but for some Israelis the medicine is worse than the cure. Mr. Hurwitz's draconian credit squeeze is provoking howls of agony from a credit-starved industrial sector. Business is bad, because, with inflation at current levels, Israelis are for once stopping to think before they buy and exports too have been severely hit. Mr. Shimon Peres, the leader of the Labour Opposition, says that if he wins the next election it will be the result of the failure of the Government's economy policy rather than its foreign policy.

But for the moment, it is foreign policy, or at least the peace process, that is most preoccupying Mr. Begin, a man not, in any case, well versed in economic matters. As long as the Camp David momentum can be maintained, and President Sadat, or a like-minded successor, remains in power in Cairo, Mr. Begin can claim to have neutralised the country's most important traditional enemy. But so long, too, as the Palestinian problem remains unsolved, and Mr. Begin continues to regard the autonomy of the West Bank in much the same way as Moscow regards that of Lithuania, Israel will be sitting on a time-bomb—if only because the rate of increase of the Arab population is dramatically faster than that of the Jewish.

Young Israelis

It may be true, as the Israelis constantly maintain, that few if any Arab countries would see their interests served by the emergence of a maverick Palestinian State. But neither are they going to abandon the Palestinians to their fate. Equally, if new generations of sophisticated young Israelis, are going to be prepared to spend two, three or four years in the army, and many years thereafter in the reserves, they must be left in no doubt of the justice of their country's cause. If it all goes wrong and they are called on to fight in the future, they doubtless will. But they will do so more willingly if they know that every possible avenue to peace has first been exhausted.

Letters to the Editor

Stock Exchange examinations

From Miss J. M. Pierce

Sir,—As one who has sat at both sides of the desk as a lecturer and student of the Stock Exchange examinations, I was interested to read Mr. Bradshaw's (Feb. 15) and Mr. Mallinson's (Feb. 19) letters on the subject.

What Mr. Bradshaw terms archaic rules and regulations I would feel are surely the corner stone of any long established body: for example, our own legal system. But these of course need constantly up-dating. If Mr. Bradshaw reads the rules and regulations of the Stock Exchange he must surely be aware how many amendments there have been over the years since the Stock Exchange is constantly reviewing its own procedures.

I would agree that the ability to think and speak clearly is important and it is these very attributes which the Stock Exchange examinations are intended to develop. Surely given these "tools of the trade" the investment adviser is in a better position to advise clients on their portfolios and I speak as one who has spent a lifetime in stockbroking with many years as an investment adviser. I note Mr. Bradshaw feels that a knowledge of foreign languages is necessary in stockbroking but in all my years in this profession, I have never been called upon to use mine!

In my experience not all students take the examinations with the sole intention of becoming members but may feel that the additional professional qualification may be a useful yardstick by which prospective employers may measure their abilities. A mountaineer climbs mountains because "they are there" and this is precisely why I took the examinations myself: simply as a challenge but they have helped to widen my experience and in today's world of specialists within specialists I feel it is important not to become too insular.

I note Mr. Mallinson's comment on the privileged and well heeled and recall that when the examinations were first held it came as a shock to many that they did not pass Stock Exchange practice. It is to be hoped that this had a salutary effect!

There may well be deficiencies in the Stock Exchange examinations system but I notice that Mr. Bradshaw offers no solution. Would he perhaps like to see some form of oral examination or perhaps prefer to include other subjects. It has been suggested in some quarters that the investment paper should be more mathematical. Although an aptitude for figures is important I do not consider that it is a profession for only highly trained mathematicians. Another problem has been the difficulty in obtaining good lecturers on the subject. If the standard is poor it is surely not entirely the students' fault for failure but a great deal of responsibility must rest on the shoulders of the lecturer. As a student I encountered both very good and very poor lecturers who either did not turn up or when they did, you wished they had not because they made an interesting subject sound boring. I wonder how many lecturers have had either teacher training or have passed the examinations themselves? Like Mr. Mallinson I wonder if I could still pass the examinations myself? I also wonder whether I learnt more as a student or as a lecturer?

Perhaps the solution to the problem is with the lecturer and the Stock Exchange which might like to offer some form of training for would-be lecturers.

J. M. Pierce.
22, Woodrush Way,
Chadwell Heath, Essex.

Not so limited liability

From Mr. Dudley S. Leigh

Sir,—Isn't it about time Parliament took another look at the doctrine of limited liability which at present allows entrepreneurs to run businesses with no personal consequences in the event of default.

The "limited company" still carries with it an aura of respectability for many consumers.

Simple change in legislation could provide that all directors of limited liability companies would be personally liable for the debts of the company up to say £5,000 (adjusted periodically). Alternatively a bonding arrangement could be made compulsory so that a new limited liability company would have to contribute say £5,000 to a common fund available to unsecured creditors in the event of collapse.

Should a new venture not be able or wish to meet the obligation it would trade openly as an unlimited company as at present.

Either way the principle of limited liability remains intact, but a fairer balance is struck between the right to protect the risk taker and the suppliers and customers.

The introduction of such a change would do much to discourage the formation of "mickey mouse" companies by dubious entrepreneurs and of intricate chains of inter-related companies used primarily for tax avoidances. No doubt non-executive directors would also think much more carefully about assuming new directorships simply to add a respectable name to the company's notepaper.

Dudley S. Leigh.
15, Half Moon Street, W1.

Development of docklands

From Mr. F. Tibbalds

Sir,—In the next few days the docklands development organisation will be making a decision which could be of tremendous significance to London and the nation, and in which all of us concerned with urban planning cannot fail to be keenly interested. This is the selection from some 15 interested tenderers, of a consortium (or consortia) equal to the daunting task of halting the extensive urban decay which now characterises the Surrey Docks—a largely derelict square mile of land, paradoxically close to Central London.

Not a lot has been published yet about the ideas that have been put forward for this unique site, but can I appeal to the decision-makers to look beyond the familiar short-term expediency of the "shops-and-offices-with-perhaps-a-bit-of-recreation" type scheme usually wheeled out on these occasions, to something more worthy and appropriate to the location, the 1980s and 1990s and the regeneration and harnessing of the nation's resources of technical competence, awareness and innovativeness?

Some publicity has already been given to an imaginative and unusual proposal to create there a new mini-city of research and technology. This postulates a concentration of scientific, technological, creative and productive enterprises and aims to meet an already widely expressed need from Britain's academic and industrial institutions.

I carry no brief for the originators of this splendid idea; just regret that I didn't think of it! Coming as it does however, at a time of economic gloom and the prospect of a drab end to the 20th century, this sounds just the sort of thing to capture the nation's imagination and restore our confidence in our ability to be at the front edge of innovative, creative thinking and action. I'd like to think our decision-makers will have the guts to give something like this a try.

Francis Tibbalds,
39, Charing Cross Road, WC2.

Sharing an island

From the Secretary, Ulster Unionist Council

Sir,—It was with considerable surprise that I read your editorial's (February 18) description of the weekend speech of the Irish Prime Minister, as "studiously moderate." The reality of the Irish Republic's continued assertion of a claim to exercise sovereignty over Ulster, has a destabilising effect on the community. Not only are the law-abiding rendered more fearful for their future but the terrorist takes heart from the facade of respectability which is given to the objective which the IRA holds in common with the Irish Government, namely that of detaching Ulster from the United Kingdom.

There is an unexplained self-contradiction inherent in the expression of concern for the rights of the people of Ulster, while contemporaneously wholly ignoring the fact that three-quarters of the electorate seek only to remain citizens of the United Kingdom. The right to self-determination is the most fundamental right of all.

The Government should not underestimate the insidious effect on morale in this beleaguered part of the kingdom, of a failure to reply to the Irish Republic in the same robust manner, which it has used to call into question the continued existence of the United Kingdom. The onus is on our Government to expose the all too commonly accepted fallacy that merely because two nations share the one island, they should be pressurised into merging their identities and aspirations.

Ulster Unionist resolve to remain British will not be shaken, either by terrorist bullets, or by "studiously moderate" words.

Norman Hutton,
Unionist Headquarters.
3, Glengall Street,
Belfast.

The British disease

From Mr. R. Coley

Sir,—The Zanussi success story (February 21) comments upon the apparent preference by the British customer for all things foreign.

In many fields he or she has little option. When buying a dishwasher my wife was unable to find a machine of British manufacture on offer. The choice lay between the products of various European or Scandinavian countries and in selecting a washer made in France by a subsidiary of the multi-national General Motors, design was the deciding factor. When choosing a fridge freezer made, it transpires, by Zanussi under the Electra label it was the straightforward, uncluttered design which influenced its purchase. No home-produced appliance was comparable on price, appearance or specification. Our taste may or may not be typical but in both cases we were genuinely anxious to buy British and would have done so if our requirement could have been met.

Design is paramount but only so long as it is allied to reliability and projected into the market place by a manufacturer with whom the customer can feel comfortable. This is where BL went wrong. Despite innovative engineering, exciting designs and a wide product range, BL has been let down by appalling quality control, assembly faults and downright ineptness. With years of strikes, disputes and management failures having left an indelible mark on the buying public the disapproval and weariness with it all manifests itself as a conscious decision to buy foreign. Indeed, many people must have pondered as to whether BL was really a "comic cuts" world which as a by-product happened to produce a few cars.

The only winners, now that it has been realised other countries make a better product, will be those who, with some success, have sought to undermine the British economy with their ultimate aim of destroying our manufacturing base. Seen in this context, the fight being waged by Sir Michael Edwardes is of wider significance than just BL.

R. Coley.
"Draycott,"
49, Riddlesdown Road,
Purley, Surrey.

Today's Events

GENERAL

UK: Mrs. Margaret Thatcher appears on BBC TV programme Panorama.

Rover Triumph announces TR 7 convertible sports car.

International Electrical Exhibition opens, National Exhibition Centre, Birmingham (until February 29).

Overseas: Organisation for Economic Co-operation and Development meets Turkish delegation to discuss medium planning, Paris.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' motions on energy; small businesses; and on immigration. Timetable motion on Social Security Bill.

House of Lords: Bees Bill, report. Education Bill, second reading.

Select Committees: Public Accounts. Subject: Thames Tidal Defences. Witnesses: Permanent Secretary, Ministry of Agriculture. Subject: Livestock improvement scheme for crofters. Witnesses: Department of Agriculture, Scotland. Room 16, 4.45 pm. Home Affairs. Subject: Public Order. Witnesses: Commission for Racial Equality. Room 8, 5 pm. Treasury and Civil Service. Subject: Efficiency of Civil Service. Witnesses: Mr. W. L. Kendall, Civil Service National Staff Side.

UK COMPANY NEWS

Hill & Smith hoping to make acquisitions soon

The directors of Hill and Smith continue to investigate many possible acquisitions and it is hoped that progress will be able to be made in this field in the not too distant future, Mr. T. Hampson Silk, chairman, says in his annual report.

Given a settlement of the steel strike and no further major disruptions, the chairman is confident the group can resume its record of profit growth this year.

In the year ended September 30, 1979, pre-tax profits were down from £1.05m to £880,138. The fabrication and forging divisions' profits were lower but steel stockholding had a good year.

The chairman refers to the High Court action over a new product last year in which the group was on copyright but lost on patent infringement. Both parties appealed and the Court of Appeal upheld the earlier decision on copyright and reversed the previous decision against Hill and Smith on patent infringement.

The other party has appealed to the House of Lords against the patent decision and it is likely to be October 1980 before this is heard, the chairman says. In the event of the plaintiffs being successful in the House of Lords, there would be a liability which at present cannot be quantified. Costs incurred to date have been charged against profits and no account has been taken of the recovery of costs as at present granted.

Meeting, Birmingham, March 31 at noon.

Fodens chief to retire

Mr. Leslie Tolley will be retiring from the chairmanship and board of FODENS, the Cheshire-based vehicle maker, on April 25.

Mr. Tolley, who is 67, is also chairman of engineering company Renold, and the British Institute of Management. He joined the Fodens board in 1975.

He will be replaced as non-executive chairman by fellow-director Mr. J. D. Paybody, who is also chairman of Manchester Dry Docks and Morrell Mills.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals—Alexanders Holdings, Charles Baynes, Ransomes Sims and Jefferies, Rhodesian Corporation, Ward Holdings, Yule Catto.

FUTURE DATES

Interim—

London Shop Property Trust ...	Feb. 28

Finals—

Allen Harvey and Ross	Feb. 27
Habit Precision Engineering ...	Feb. 29
Moorside Trust	Feb. 27

Good start by Martin the Newsagent

For the first 19 weeks this year to February 10, retail sales including VAT, of Martin the Newsagent showed an increase of 15.8 per cent over sales for the same period last year, Mr. J. B. Martin, the chairman told the annual meeting.

Excluding VAT, the percentage increase became 11 per cent on sales of £36.07m, he added.

Growth at Tor Investment

Revenue of Tor Investment Trust rose from £228,882 to £318,907 in the six months to January 31 1980, before tax of £109,511 compared with £81,582.

Gross income increased from £308,930 to £409,424.

The net interim dividend is lifted from 2.245p to 2.8p, and the directors intend to recommend a final of at least the same rate as last year's 4.375p.

Net asset value is 64.3p per 25p income share (ex dividend) and 273.6p per 25p capital share, prior charges having been valued at par. At the year-end, these figures were reported as 59.4p and 239.08p respectively.

At January 31, 1980, investments were valued at £10.03m and net current assets, after providing for interim dividends, amounted to £919,190.

Earnings rise seen by Second Alliance Trust

The directors of the Second Alliance Trust Co. expect earnings per 25p share to exceed 9.6p in the year to July 31, 1980, compared to 7.21p last time. The current year's figure will include exceptional arrears of income of 0.56p.

The interim dividend is lifted as forecast from 2p to 2.25p to reduce disparity — a total of 7.76p was paid last year on net taxable revenue of £2.29m (£2.04m). The net asset value is 238.7p (229.5p).

North Sea legal move

AREAS OF the northern North Sea designated in November as part of the UK Continental Shelf are to be made subject to Scottish law.

A jurisdiction order for this was passed in Parliament on Thursday and comes into operation on March 13.

It brings certain North Sea installations within the scope of the Wireless Telegraphy Act 1949 and the Radioactive Substance Act 1960.

NO PROBE

The merger of BMCT and Bernard Wardle and Co. is not to be referred to the Monopolies Commission.

Throgmorton's investment policy change

Though investment in small companies remains its long-term objective, during 1978-79, Throgmorton Trust switched some funds into larger companies which it considered offered more defensive merits against the worsening economic background, Mr. M. Elderfield, the chairman states.

Currently the stock market is performing well but the directors feel that 1980 will see a repeat of the violent fluctuations of recent years he says.

As known, on February 13 the trust announced that it had agreed to buy all the investment holdings of the Grindlays Bank subsidiary Capital for Industry, for £3.99m cash.

For the year to November 30, 1979, Throgmorton reported taxable revenues up from £3.05m to £3.64m and net dividend raised to 5.55p (4.875p).

At year end investments amounted to £45.71m (£43.41m) of which £44.18m (£42.12m) were listed in Great Britain. The unrealised surplus on valuation of investments was £13.47m (£13.87m).

The main changes over the year in the trust's equity portfolio included, in percentages, electricals down from 19.3 to 12.3, and stores up from 5.3 to 10.1 and oil from 0.1 to 2.

Meeting, 25, Milk Street, EC, at 12.30 pm on March 17.

SHARE STAKES

McCleery L'Amie Group—B. H. McCleery has bought additional 564,000 shares making holding 1.05m (8.14 per cent).

Archimedes Investment Trust—Amisford Investment Company has increased holding of capital shares to 92,000 (7.5 per cent), bringing A. W. F. Clapperton's total interest to 153,150 (12.5 per cent).

African Lakes Corporation—Rhodesian Railways Contributory Pension Fund has sold 35,000 shares of the holding registered in the name of Consolidated Nominees reducing holding to 8.8 per cent.

Bridport Gundry (Holdings)—R. W. Holer, director, has bought 25,500 shares.

Feedex Agricultural Industries—J. R. Williams, director, has sold 25,000 shares.

Trevor Humphries

Lord Catto chairman of the industrial and commercial group Yule Catto and Co. which is expected to announce its 1978/79 results today.

Standard Life earmarks £10m for loan top-ups

POLICYHOLDERS with the Standard Life Assurance Company will in future be able to take advantage of the top-up loan facility that is being made available from March 17, 1980.

The facility, however, will not apply to housebuyers who are not policyholders of the company. It will apply solely to existing policyholders who are already borrowers through building societies or the company's subsidiary Heritable Securities Association using a Standard Life policy to repay the loan. To be eligible for the top-up, the policy must have been in force at least two years.

The maximum top-up loan issued will be £10,000 or 50 per cent of the building society loan, whichever is the less. The total loan can be repaid by any Standard Life policy acceptable to the building society, including the low cost endowment. Interest on the top-up will be 2½ per cent above the basic building society mortgage rate—at present 17½ per cent.

The company is making up to £10m available in 1980 for top-up loans, and has taken this action primarily to assist policyholders. Housebuyers using a Standard Life policy to repay a loan—the company is a top performer over 25 years—found that when they need top-up facilities, they could not get them from the company. So they had to surrender their Standard policy, making a loss on the deal, and take out a new contract with another life company. This situation will no longer arise.

New personal pension contract from MGM

A NEWLY designed personal pension contract aimed at the self-employed has been launched by the Marine and General Mutual Life Assurance Society, incorporating the latest improvements in such schemes. It takes its place alongside the company's successful executive pension scheme in its Design for Retirement series.

The plan is a regular premium, with profits deferred annuity contract providing maximum flexibility over the payment of the contributions. The death benefit before retirement can either be a return of the contributions or if selected at outset the cash value of the accumulated pension benefits.

At retirement, the pension can be taken either as a full pension paid during the remaining life of the investor or it can be slightly lower in amount, with payments guaranteed for at least five years, or it can be paid to the last survivor of the investor and spouse.

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:—

Cliff Oil (Australia) (Section: Overseas — Australia).

Gulfstream Resources (Overseas — Canada).

Wereldhave (Property).

THE THROGMORTON TRUST LIMITED

Extracts from the circulated statement of the Chairman, Mr. M. Elderfield, F.C.A., M.B.C.S.

INVESTMENT POLICY

Investment in small companies remains the long-term objective of the Trust. However, during the year some funds were switched into larger companies which, it was considered, offered more defensive merits against the worsening economic background.

NET ASSET VALUE

The net asset value attributable to one ordinary share of your company, taking prior charges at par, increased by 5.6 per cent from 99.3p to 104.9p, compared with a rise of 3.9 per cent by the Financial Times Actuaries 500 Share Index and a fall of 12.6 per cent by the Financial Times 30 Share Index.

DIVIDENDS

Your directors recommend a total dividend of 5.55p per share for the year (4.875p per share last year).

CAPITAL FOR INDUSTRY LIMITED

Your directors are pleased to announce the recent acquisition by your company of all the investment holdings of Capital For Industry Limited.

FUTURE PROSPECTS

At home, rising rates of inflation and the prospect of recession do not provide the ideal background for a Government to undertake a major redirection of the economy. With the benefits of any success for these policies at least 12 months away, the Government's resolve will be tested in coming months.

Copies of the report may be obtained from the Secretary

25 MILK STREET, LONDON, EC2V 8JE

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 7.3.80.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	14	14	14¼	14½	14½	14½	14¾	14¾

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

OIL AND GAS NEWS

Indonesia ignores boundary dispute

THE INDONESIAN Government has told international oil companies to continue their search for oil offshore the Natuna Islands group in the South China Sea despite objections from Vietnam which disputes control of the area.

Pertamina, Indonesia's state-owned oil company, recently signed an exploration and production-sharing agreement with Esso covering an area in the disputed region.

Other companies involved in exploration in the area, which covers around 20,000 square km include Mobil Oil, Chevron, Texaco, Marathon Petroleum and Continental Oil.

Meanwhile the Indonesian unit of Union Oil of California has made an oil discovery offshore East Kalimantan.

The well, Attaka 16, flowed at a rate of 2,286 barrels a day of 39 degree low sulphur crude oil from three zones between 6,807 and 7,621 feet.

Attaka 16 is located near the existing Attaka oil field in an area jointly held by Union Oil and Indonesian Petroleum Company of Japan, under a production-sharing agreement with Pertamina.

The Attaka field has been in production since 1972. Current output is about 91,000 barrels a day. Additional drilling is planned to evaluate the new discovery.

* * *

The local unit of Standard Oil of California has discovered oil in the Sudan. The discovery well, Unity No. 2, 450 miles south-east of Khartoum, flowed at rates up to 2,900 barrels a day.

The successful well is the 12th exploratory well drilled in the Sudan by Chevron since 1976 and is eight miles south of Unity 1 which contained the first signs of oil in the Sudan interior.

Chevron holds exploration rights on more than 120,000 square miles in the Sudan.

* * *

The Ben Nevis 1-45 appraisal well, drilled on a separate structure 24 miles south-east of the Hibernia P-15 oil discovery, contains estimated net potential hydrocarbon-bearing sands of a total thickness of 100 ft, according to Mobil Canada, operator of the Hibernia venture.

Both the Ben Nevis 1-45 and the Hibernia P-35, drilled about three miles west of the original Hibernia find, contain zones of interest which will be tested after completion of drilling.

In January Chevron Standard, the previous operator of the venture, identified three zones of oil accumulation in the P-15 well capable of producing at a rate of 20,000 barrels a day.

Other participants include Petro-Canada, Gulf Canada and Columbia Gas Development Canada.

IN BRIEF

BRUNNER INVESTMENT TRUST — Results for year to November 30, 1979, reported on December 22, 1979. Investments at valuation quoted UK £15.74m (£18.9m), abroad £6.79m (£5.93m), unquoted UK £252,222 (£249,901), abroad £654,813 (£641,011). Meeting, 20 Fenchurch Street, EC, March 14, 12.45 pm.

COUTWALL (garment manufacturer) —Pre-tax profits of Coppernob, the company's trading name, jumped from £10,144 to £175,808 in the year to December 31, 1979, on turnover up from £730,400 to £1.3m. Mr. G. I. Fields, the chairman, says that although sales and margins are slightly below projections, the company has given an extremely satisfactory performance in the present volatile situation.

EWART NEW NORTHERN (commercial and industrial property developer)—For half-year to October 31, 1979, profit £8,233 (loss £2,113) after tax £3,808 (£1,415). Earnings per £1 share 1.27p (loss 0.55p).

HENLYS (motor vehicle distributor)—Results for the year to September 30, 1979, reported January 24 with chairman's observations on prospects. Group fixed assets £28.66m (£22.43m). Net current assets £15.28m (£15.39m). Meeting, 385 Euston Road, N.W., on March 13 at noon.

LOOKERS (motor vehicle distributor) —Results for the year to September 30, 1979, reported January 24 with chairman's observations on prospects. Group fixed assets £6.69m (£5.55m). Net current assets £3.54m (£3.29m). Meeting, Manchester, on March 12 at noon.

WESTERN SELECTION AND DEVELOPMENT COMPANY (finance company)—Pre-tax profit for year to September 30, 1979, £269,170 (£271,250). Tax £86,068 (£101,066). Earnings per 20p share 2.46p (2.28p). Second interim dividend 1.225p, making unchanged 2.1p.

SPAIN

1979 High	1979 Low		Feb. 22 Price %
310	200	Banco Bilbao	223
353	204	Banco Central ...	252
232	199	Banco Exterior ...	214
286	200	Banco Hispano ...	224
174	135	Banco Ind. Cat ...	135
213	165	Banco Madrid	165
348	203	Banco Santander	266
280	157	Banco Urquijo	176
285	202	Banco Vizcaya ...	234
261	195	Banco Zaragoza ...	209
220	100	Dragados	100.5
99	58	Espanola Zinc	62
67	49	Fecsa	57
76	23.5	Gal. Preciados ...	34
77.5	52.75	Hidrola	62.7
76	52	Iberduero	59.2
178	110	Petroleos	112
136	68	Petroliber	68
130	115	Sogefisa	115
82	53	Telefonica	55
69.7	55	Union Elect.	62.5

U.S. CREDIT MARKET

BY DAVID LASCELLES

Control rumours reverse bond slide

A RUMOUR flashed through Wall Street in the closing hours of trading last week that the Government was going to impose credit controls in order to crack down on inflation.

It had a predictable but powerful effect on the credit markets: bond prices instantly rebounded from their sickening slide of the last few weeks, and gained half a dozen points or more.

It came at the end of a week which brought more appalling economic news: the consumer price index for January was up 1.4 per cent (an annual rate of over 18 per cent), and the prime rate moved in a couple of sharp leaps from 15¼ to 16½ per cent, a record gain to a record level. Factory orders were up too, by 4.3 per cent in January, pointing to the underlying strength of the economy and therefore of likely credit demand.

The market was still jangling, of course, from the effects of the Fed's increase in the discount rate the previous Friday to a new high of 13 per cent. During the week, the Fed appeared to lift its Fed Funds upper limit to over 15½ per cent to accommodate the higher prevailing rates. At one stage Fed Funds were trading at over 18 per cent, reflecting the very tight conditions at the short end of the market.

At the long end, prices lost two or three more points over the week before the last-minute rally. At their nadir, the new government 30-year bonds were yielding 12.64 per cent, up from 11.84 per cent when they were auctioned only two weeks before. By the close on Friday, the yield had backed off to 12.56 per cent.

In a sense, it is surprising that rumours of credit controls did not hit the market earlier. The president has the authority to impose them at any time without recourse to Congress (the same is not true of wage and price controls: these need congressional authorisation — which is a guarantee that they will never be imposed because it would take too long).

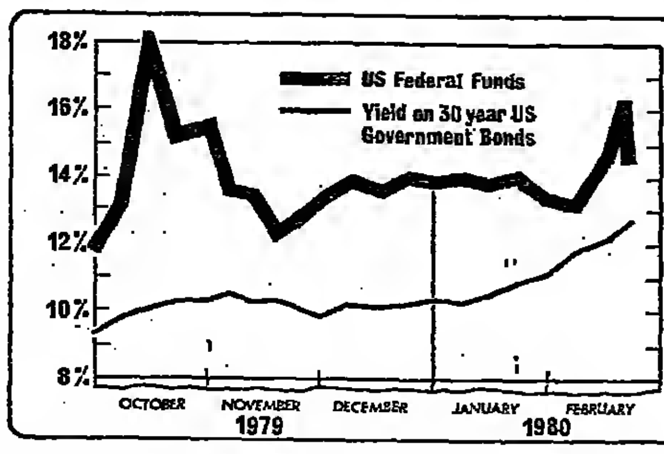
But the timing of the rumour was not accidental. The market had been alerted earlier in the week by one of its most influential gurus that drastic measures were necessary if the country was ever to escape the grip of inflation. In a widely reported speech, Dr. Henry Kaufman of Salomon Brothers said that the government should declare a national emergency and put forward an economic package including controls on wages and prices, as well as the dollar. Implicit in what he called for was some measure of control over credit.

In fact, the White House reiterated its position at the end of last week that wage and price controls are not under consideration. Furthermore there is a strong feeling in the market that even if the government were to introduce credit controls, these would be extremely difficult to administer.

However, the strength of the market's reaction on Friday to the rumour is an indication of the pass to which it has come, and of its traders' willingness to believe that drastic measures could materialise.

Last week also saw the enunciation by Mr. Paul Volcker, the Fed Chairman, of the growth targets for the new monetary definitions. The target most widely noted by the market was that for M 1B, the measure which includes the newly-popular interest-bearing current accounts. This is to be 4 to 6.5 per cent between the final quarter of 1979 and that of 1980, compared with 8 per cent registered over the same period of 1978-79. This reduction is viewed as moderate, and its revelation had little or no impact on the market.

In the Fed's latest report on Friday, M 1B fell by $300m to $392.8bn, compared with a sharp rise the week before. M 1A, the narrowed definition of money in circulation and current accounts, fell by $800m to $376.2bn, also following a sharp rise in the previous week.



U.S. INTEREST RATES

	Week to Feb. 22	Feb. 15
3-month Treas. Bills	13.48	13.10
3-month Comcl. Paper	14.15	13.10
Fed funds wkly. avge.	15.29	14.40
Treas. 30-year Bond	12.75	12.14
Long-term AAA Utility	14.00	13.125
Long-term AA Indust.	13.60	12.625

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Elsevier-NDU	20	1995	15	8½	100	Pierson, Heldring	8.75
‡§†Standard and Chartered Finance NV	75	1990	7½	5½¶	100	Schroder Wagg	5.31
§Gearhart Finance NV	25	1995	15	7½	*	S. G. Warburg	*
†SOFTE (g'teed STET)	50	1986	5.6	6½¶	100	Credit Lyonnais, Istituto Bancario San Paolo	*
††Export Devel. Corp.	200	1985	5	*	*	Salomon Bros.	*
§Community Psychiatric Centers	12	1995	15	8½	*	Merrill Lynch Int.	*
†BNP	50	1987	7	5½¶	100	Nat. Bank of Abu Dhabi	*
†C. ITOH (g'teed Dai Ichi Kangyo)	50	1987	7	5½¶	100	PARIBAS	*
D-MARKS							
Nederlandse Gasunie	100	1987	5½	8½	*	Commerzbank	*
**Australia	150	1987	7	8	100	Deutsche Bank	8.00
SWISS FRANCS							
‡†BNDE (g'teed Morocco)	38	1990	—	6¶	100	BNP (Suisse), Banque Gutzwiller	6.09
‡§**Sogo Dep. Store	30	1985	—	5½	100	UBS	5.75
**Kingdom of Norway	100	1985	—	5½	100	UBS	5.50
‡**Nitto Electric Ind.	30	1985	—	5½	100	SBC	5.62
World Bank	100	1990	—	5½	99	UBS	5.99
UNITS OF ACCOUNT							
Union Bk. of Norway	18	1990	10	9½	100	Kredietbank (Lux.)	*
SPECIAL DRAWING RIGHTS							
Svenska Handelsbanken	15	1985	5	10½	*	KIIC, Nordic Bank, Svenska Handelsbanken	*
STERLING							
‡FFI FINANCE INT. BV	20	1988	6	14½	99½	S. G. Warburg	14.61
GUILDERS							
‡Nederlands Credietbank	60	1985	5	10	99½	Nederlands Credietbank	10.13
YEN (bn)							
RENFE (g'teed Spain)	16	1990	n.a.	8.3	99½	Nikko Sec.	*
Finland	20	1992	n.a.	8.4	99.7	Yamaichi Sec.	8.45

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

INTERNATIONAL BONDS

BY FRANCIS GHILES

Another lurch on the big dipper

FEW BOND DEALERS will forget the events of last week. The dollar sector of the Eurobond market experienced what many described as its worst shake-out ever as straight dollar bond prices posted average falls of 4½ points. As was pointed out in Kidder Peabody's weekly telex to investors, "the question of basic confidence is only too apparent at the longer end of the market which has borne the brunt of the recent selling."

Price falls of up to just over nine points were recorded on some longer-dated issues, while others fell between five and eight points during the week.

The crunch the market went through did not make for unhappiness all round; quite the reverse. Leading market makers strongly resisted the idea that the market was crumbling and insisted that those dealers who were short and quick to take advantage of arbitrage opportunities had one of their busiest and most profitable weeks in months.

Arbitrage possibilities were numerous through the week as yields offered on bonds of similar quality, coupon and maturity diverged wildly.

"It is quite normal that the market should have shrunk and that dealers should not be prepared to take positions as large as would be the case in more stable markets," argued Archibald Cox, managing director of London branch of the U.S. investment bank, Morgan Stanley. "What happened in the Eurobond market last week was no different from what other securities markets have experienced in similar circumstances."

After straight dollar bond prices had weakened even further on Friday morning, "there was some exceedingly interesting business to be done with institutions," according to Anthony Dyson, assistant managing director of Manufacturers Hanover Ltd, a view with which many other leading houses concurred.

All things considered, the basic market mechanism functioned adequately last week. Though institutional investors agreed that many dealers took longer than usual to answer their 'phones, they added that it was not difficult to transact large quantities of bonds (between $½m-$1m) at a time and that the spread on price quotations generally remained at ½ per cent.

In 1974, the year of the last major shake out, transacting bonds in any reasonable quantity proved very difficult, while spreads quoted on price transaction widened to a full two points.

Market makers were quoting widely diverging prices on the same issues. But this simply provided more opportunities for swaps according to one fund manager who said he did not view such a development as unhealthy, simply "inevitable" given the circumstances. As for stop loss selling, some, on a small scale, was reported but no great wave occurred.

The Floating Rate Note sector held up well as the straight sector flew into its air-pocket. Prices weakened by about ½ a point on the week, though longer dated FRNs whose coupons had recently been readjusted suffered greater losses. Some good institutional buying of shorter dated FRNs was reported on Friday.

Of the three new issues launched last week in the dollar sector, two were in the form of floating rate notes: the $50m issue for BNP offers an interest rate pegged at ¼ per cent over the six month London interbank offered rate (Libor) while the $50m FRN for C. Itoh offers the same interest rate but pegged over the six month mean between the offered and bid rate. The third issue was a small convertible for Community Psychiatric Centers.

All the other major sectors of the Eurobond market suffered price falls. Both the Deutsche Mark and the Swiss Franc sectors were hit by the weakening of their respective currencies against the U.S. dollar, and the widespread conviction that domestic interest rates in both countries would continue to move up. D-Mark bond prices slipped by over 2 points on the week with older lower yielding bonds posting greater falls. Two issues were announced last week, both for prime borrowers, Gasunie and Australia. The German Capital Markets Sub Committee which meets today is not expected to agree to a volume of new issues for the next month anything like as large as last month (DM 740m.).

Swiss Franc bonds posted falls of 2½ points on the week and the latest public issue, a SwFrs 100m ten year issue for the World Bank is to carry a coupon of 5½ per cent, ¼ per cent higher than what Austria paid less than two weeks ago.

French Franc denominated bonds lost up to two points last Friday following the rise earlier in the week of the French commercial bank's base rate. Sterling denominated bonds slipped slightly on the week. Finance for Industry International BV was able to complete a £20m issue carrying a coupon of 14½ through S. G. Warburg. This bond was fully underwritten by the managers.

FLOATING RATE DEBT

BY PETER MONTAGNON

Interest rises dwarf spreads

THE SHARP rise of Eurodollar interest rates must come as an acute disappointment to developing countries faced with heavy balance of payments financing requirements as a result of higher oil prices. In the space of a week the six month Libor rate has jumped to 17½ per cent from 15¾.

In terms of its impact on overall debt service costs, such an increase far outweighs the wider spreads now slowly emerging for developing countries in the medium term credit market.

The OECD, for example, calculates that the floating rate debt of third world countries is likely to rise to between $95bn and $100bn by the end of this year from about $80bn last December. On this basis each one point rise in world interest rates adds no less than $1bn to overall debt service requirements of the countries incurring the debt.

But the effect is likely to vary from country to country as many developing nations have increased their reserves substantially through borrowing on international markets over the past two or three years.

This means they can now offset the higher debt service payments against higher interest income on their reserve investments.

By contrast, OECD officials singled out four countries which account for almost all the recent increase in claims of international banks against developing countries. These are Brazil, South Korea, the Philippines, and Mexico.

For these countries the picture looks increasingly bleak, with the case of Brazil particularly disquieting. Brazilian sources estimate that the country's floating rate debt at the end of last year amounted to some $30bn so that each one-point increase in world interest rates adds $300m to debt service charges.

In fact the Eurodollar rate, on which much floating rate debt is based, was tremendously volatile last year with a monthly low, according to Salomon Brothers, of 10.5 per cent in June and a high of 15.31 per cent in October.

On the basis of this range, Brazil's floating rate debt service costs fluctuated last year by something approaching $1.45bn.

Public Works Loan Board rates

Effective from February 23

Years	Quota loans repaid by EIP†	Quota loans repaid At	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At	Non-quota loans A* repaid at maturity§
Up to 5	15⅞	15½	15⅞	16⅜	16⅞	16⅞
Over 5, up to 10	15½	15½	15	16½	15¾	15⅝
Over 10, up to 15	15¼	15	14¾	15⅞	15½	15¼
Over 15, up to 25	14⅞	14¾	14⅞	15⅜	15⅜	15½
Over 25	14¾	14⅞	14⅞	15½	15⅜	15½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	77½	78	−0½	−4¾	14.47
Alex Howden XW 9½ 91	30	69⅝	70⅝	−3¼	−3¾	15.13
Aquitaine Can. 11¼ 85	30	†88	88¾	−0⅝	−3¾	14.61
Australian Res. 9¾ 84	30	[illegible]	[illegible]	[illegible]	[illegible]	14.87
Avco O/S Cap. 10½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beneficial Fin. 9½ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA Grad. Rate 12 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 11¼ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Pacific 9⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Carter Hawley 9¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comalco Inv. E. 10¼ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Continental Grp. 9⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum 10 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dominion Bridge 10⅝ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 11¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 10.15 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ekspordin 11⅛ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dv. Cpn. 9⅜ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dv. Cpn. 9⅜ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland 9⅜ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GTE Finance 9⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 9⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC O/S Fin. 11 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gould Int. Fin. 9⅝ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITT Antilles 9½ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kennecott Int. 8⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Manitoba 9⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Michelin 10 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Gas Telecm. 9⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Brunswick 9⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 10 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norges Komm. 9⅞ 99	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 9⅝ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia Pwr. 9⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Occidental Fin. 10⅝ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Orient Leasing 9⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pennwalt O/S F. 9⅝ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico Cap. 9⅝ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 10 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sears Roebuck 9 82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Statoil 9⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 8⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 9⅝ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever NV 9⅝ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Warner-Lambert 9 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0½ on week −4⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	85¼	86¼	0	−1¼	10.50
Australia 6½ 88	20	82⅞	83¼	+0¼	−1½	9.68
EIB 7¼ 89	12	88⅞	89⅝	−0⅞	−7¼	9.50
Finland 5.6 83	10	86½	87½	+0½	−1½	10.11
Finland 6.8 88	10	[illegible]	[illegible]	[illegible]	[illegible]	10.09

Average price changes... On day −0¼ on week −2⅞

OTHER STRAIGHTS, FLOATING RATE NOTES, DEUTSCHE MARK STRAIGHTS, SWISS FRANC STRAIGHTS, CONVERTIBLE BONDS: [illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Feb. 22 ...	87.66	11.65	72.27	13.10
Feb. 15 ...	88.77	11.19	74.60	12.53
High '80 ...	91.03	(2/1)	89.19	(2/1)
Low '80 ...	87.66	(22/2)	72.27	(22/2)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week* ...	612.5	1,930.4
Previous week ...	514.9	2,044.2
Other bonds		
Last week ...	188.0	299.3
Previous week ...	334.6	561.8

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on February 22

APPOINTMENTS

Butterfield-Harvey reorganisation

Mr. Peter Till, responsible for the BUTTERFIELD - HARVEY Group's Greenwich and Margate interests, has been appointed to the main board. Mr. Derek Hall has resigned to develop his own interests and the appointment of a new financial director will be announced shortly. The group executive committee has been restructured and strengthened. Mr. Victor Wyatt, formerly with Bowater-Scott, has been appointed group controller and two member company managing directors, Mr. Pat Frewer of South Western Marina Factors and Mr. John Barnes of Beldray, have become members of the committee. They have both been appointed chairman of their companies.

A number of changes in the chairmanship of member companies has also taken place. Mr. Stanley Quin, chairman of Shelvoke and Drewry assumes the chair of Halladay's, Halladay's Drop Forgings, Weston Hydraulics and B-H Machinery. Mr. Edward Greenhalgh becomes chairman of Harvey-Hayhridge and the group chief executive. Mr. Geoffrey Yates, becomes chairman of Mustang Caravans on a temporary basis.

★

Mr. A. Pitchforth and Mr. W. Man have been appointed directors, and Mr. F. B. Preston has been appointed an associate director, of LONDON INSURANCE BROKERS.

★

Mr. Alan R. Devereux has been appointed a non-executive director of WALTER ALEXANDER. He is the deputy chairman of Scotcros, an associate company of Walter Alexander, as well as being on the hoards of The Scottish Mutual Assurance Society and the Scottish Development Agency.

★

Mr. Pat Reynolds has heen appointed chairman of REYNOLDS MEDICAL suppliers of Pathfinder, a high speed ambulatory ECG analysing equipment. He founded the company in 1967. Mr. David Armstrong, hecomes managing director, and Mr. Michael Maze, commercial director.

★

Sir Monty Finniston has been appointed a non-executive director of ANDERSON STRATHCLYDE.

★

Mr. Jonathan A. Meighan has joined Dowty Group as assistant managing director of ULTRA ELECTRONIC COMPONENTS, at Loudwater, Bucks.

★

Mr. I. J. S. Henderson becomes general manager (investments) of LONDON AND MANCHESTER ASSURANCE on Juoe 1.

★

Mr. John W. Utz, chairman and chief executive of Wormald International of Australia, states that the controlling board in the UK, reporting to the parent company, will be WORMALD INTERNATIONAL HOLDINGS (UK) and Mr. John Sparrow of Morgan Grenfell and Co., is to become chairman, and Mr. Len Collinson of Collinson Grant and Associates becomes a director. The other directors will be Mr. Utz, Mr. R. J. Moore, Mr. F. Kopperschmidt, and Mr. J. S. Pigram. Mr. A. N. Reyment will be secretary.

The board of MATHER AND PLATT, with the retirement of Mr. Sparrow and Mr. Collinson, will consist of Mr. Moore, chairman, Mr. A. Lambert, deputy chairman; Mr. A. Orr, Mr. C. Hogan, Mr. E. Drewery and Mr. B. Galloway. Mr. Utz and Mr. Pigram will continue to be members of the Mather and Platt hoard. Mr. Reyment will continue as secretary.

★

Mr. John H. Watt has been appointed chairman of L. WHITTAKER AND CO (LONDON) and its subsidiaries—including Whittaker Tentest. Mr. Philip Summers joins the hoard as financial director.

★

BIRO BIC and its subsidiary Mabie, Todd and Co. has appointed Mr. Donald Hartridge, as managing director. This move follows the retirement of Mr. F. W. G. Bolt, who becomes non-executive chairman. Mr. Terry Thorn, has been mada sales director.

★

Mr. David C. G. Jessel is to serve as chairman of tha INTERVENTION BOARD FOR AGRICULTURE PRODUCE for a three-year term from February 22. Mr. Alan F. Shaw, who has been chairman since November, 1974, has retired. Mr. Jessel is depnty chairman of the Eagle Star Insurance Gronp.

★

Mr. Peter Kay has been made managing director of CLIVE DEVERELL ASSOCIATES, and Mr. Gerry Sarson becomes a director.

★

Mr. J. W. McColgan has been appointed marketing director of BLUE CIRCLE CEMENT in succession to Mr. R. E. Gwyn, who retired at the end of 1979 after 47 years service with the group. Mr. McColgan has heen with the group for 33 years.

★

Mr. R. M. Watt has been appointed assistant director (European and energy policy) in economic planning division at BRITISH GAS headquarters.

★

Mr. D. G. Attwood has been appointed a director of HIP (POWDER METALS), a company in the Marshalls (Halifax) group.

★

Dr. Fernando Garzoni is at the March 14 annual meeting of BANCA DEL GOTTARDO, Lugano, to be nominated chairman of the bank. The current chairman, Mr. Adolf Deucher, will remain a board member, while Mr. Carlo Von Castelberg will join Mr. Carlo Canesi as a vice-chairman. Mr. Francesco Bolgiani is to succeed Dr. Garzoni as general manager, while Mr. Walter Canepa and Mr. Otto Huesi become deputy general managers.

★

Dr. Peter Clarke, principal of Robert Gordon's Institute of Technology, Aberdeen, has been made president of the ASSOCIATION OF PRINCIPALS OF COLLEGES.

★

Mr. J. C. S. Lepine will retire from his executive responsibilities with NORWICH WINTERTHUR REINSURANCE CORPORATION on July 1. He will continoe as chairman of the company and of its subsidiary, the Stronghold Insurance Company. Mr. T. R. Monteath has been appointed deputy general manager of the company and of Stronghold from March 17.

★

Mr. William A. Davis has recently been appointed a director of GODSELL MUNICIPAL, a founder member of the Sterling Brokers Association.

★

Mr. T. T. Tait has joined the Board of J. BIBBY AND SONS.

★

Mr. Dennis Cockerill has been appointed production and technical services director of BROOKE BOND OXO.

★

Mr. R. J. Warren has heen appointed a director of WEMBLEY STADIUM, a member of the B.E.T. Group.

★

Mr. Norman Crawford has joined NORTH BRITISH PROPERTIES as financial administrator/company secretary designate.

★

Mr. D. C. G. Jessel has been appointed a deputy chairman of EAGLE STAR HOLDINGS and of EAGLE STAR INSURANCE COMPANY.

★

Mr. Gerardo Seeliger has been elected assistant director of BANKERS TRUST INTERNATIONAL LIMITED (BTI), the wholly-owned international banking subsidiary of Bankers Trust Company. He will be responsible for Spain, Portugal and Latin America in the finance department.

★

Mr. T. J. Ullman has been appointed a director of the ZENITH CARBURETTER COMPANY.

★

Mr. Yves P. Truffert has resigned as a non-executive director of HILL SAMUEL GROUP.

★

Mr. W. G. Jenkins has been appointed managing director of S. P. GEARS AND INSTRUMENTATION a member of the Richardsons Westgarth Group. He was formerly production director.

★

Mr. Charles Lowe has been appointed a director of BROOK STREET BUREAU OF MAYFAIR. He remains company secretary.

★

At ATWOOD OCEANICS, INC., Houston, Mr. N George Belury has been elected a director. He is president, chief executive officer and director of Abex Corporation, New York.

★

Mr. Donald Kerr has joined the Board of DRUIDALE SECURITIES.

★

Dr. Jack Butterworth, assistant head of the energy technology support unit at Harwell, will be taking np the senior appointment of energy projects co-ordinator in the SCIENCE RESEARCH COUNCIL on April 1.

★

HALMA has made the following appointments in its subsidiaries: Mr. Roger King has been appointed to tha Board of industrial safety specialists Castell Locks as finance director. Mr. Michael Shelbourne has been made finance director of Standard and Pochin, the Leicester-based heating and ventilating specialists.

★

Mr. Rex M. Fleet, managing director, has heen appointed chairman and managing director of NCR LTD. This appointment follows tha retirement of Mr. Clarke E. Reynolds from the position of chairman due to his other commitments as vice-president Europe, NCR Corporation.

★

REED STENHOUSE MARKETING, aviation division, has appointed Mr. M. F. B. Ward, Mr. D. J. Woods and Mr. A. M. Elson to the Board.

★

Mr. Peter Fagan has been appointed managing director of BIDDLE SAWYER AND CO., a wholly owned subsidiary of Lewis and Peat (Merchanting). Mr. Martin Gould has become director of development for the merchanting division with responsibility for the development of new business in the merchanting field.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

EXECUTIVE HEALTH

Purveyors of doom should be taboo

BY DR. DAVID CARRICK

I SAW an advertisement recently which disturbed me. It depicted a jolly family enjoying a holiday but across the image of the young father was a black cross which signalled his early demise, thus leaving a young widow and small children.

The legend beneath was logical—that if the breadwinner died suddenly, without proper provision, then his family would suffer. But if the doomed man insured himself adequately, then he could, presumably, rest in his grave quite happily.

Now, I do not carp at sensible planning against disaster, but to induce anxiety in people who receive a surfeit of dire warnings from various sources is, I believe, unnecessarily grievous. Insurance companies have every right to advertise their wares for their own benefit and that of their customers, but a degree of decorum is desirable. After all, if an undertaker offered to measure people for their coffins early (maybe at pre-budget prices), it would cause an outcry, and I doubt if he would find many editors anxious to carry his funereal copy.

Morticians

But suppliers to American morticians do not have such problems. I recall seeing a large advertisment in an American magazine which, at first glance, appeared to be concerned with raincoats. A well wrapped-up, pretty girl was standing in a frightful thunderstorm by a blasted oak. The caption, which said: "The least you can do for your loved one" made me look closer to find that coffins (or caskets), and not macs, were the business of the sponsor.

A full description of the special casket: "velvet-lined and space-alloy coated" was given, plus a claim that this "super casket" would outlast ordinary boxes by some 50 years. And to illustrate the point, below the pretty girl's feet, the earth was sectioned to show water and worms, together with the roots of the oak, knocking hell out of cheap coffins. But that *super* casket resisted everything including sharp-nosed worms which turned disgustedly away from the blunting alloy.

To educate a public on health is one thing; to foster fear is quite another. But there are many sources whence phobias are induced, and I have listed seven I believe to be among the most potent:

1—Irresponsible papers and journals which, quite correctly, calculate that morbidity and sensationalism are magnets to the simple.

2—Responsible journals which, in all innocence, publish rarities which may well be misquoted or half-quoted by the general media.

3—Vociferous scientists with obsessions concerning matters they regard as sinful, and, therefore should be banned forthwith.

4—Doctors who forget that their patients are human beings to whom gloomy head-shakings and dolorous "tut-tuts" suggest the funeral knell.

5—Doctors to whom seeming abnormalities in a patient's biochemistry will surely lead to rapid dissolution.

6—Medical insurance questionnaires which sometimes appear to demand that all successful applicants should be angels without vices, with perfect physique, and possessed of eternal ancestors.

7—Purveyors of machines which, although intended for very particular cases, do not prevent general distribution. The do-it-yourself blood-pressure machine is already available to the wealthy hypochondriac; and surely a miniature, "easy to carry" ECG machine will be with us soon.

Surely there is enough to worry about in a world which always has financial troubles; is never without a little war and is always on the brink of a holocaust; is incapable of playing games which lack a political purpose; and breeds bureaucrats and autocrats as readily as maggots in a dead dog?

I am not suggesting that anyone should be stupidly careless or should fail to heed words of true and selfless wisdom; I only plead that uncomplaining *normality* should not be put at hazard by the utterings of unwitting tormentors.

Where distribution is the crucial factor in the electronics boom

Alan Friedman on the strategy behind a major independent components dealer

ELECTROCOMPONENTS is hardly a household name. Until recently, few people outside the electronics industry had even heard of the company. But as the world of high technology electronic products expands, this group is cashing in on an unusual distribution system which has made it Britain's largest seller of sophisticated components to industry, research institutions and government.

As every year goes by, microprocessors and other tiny integrated circuits — all of them variations of the ubiquitous "silicon chip" — are affecting more and more of our lives. At the heart of all sorts of products, from televisions to microwave ovens, computers to machine tools, these components are the cornerstone of the rapidly expanding microelectronics industry.

The "big boys" in the electronic components business — such as ITT, Motorola and Texas Instruments — sell directly in bulk to end product makers for ... purposes. But the smaller independent distributor has been able to grow in a separate market, particularly those of research and maintenance.

In the UK there are four major independent, and publicly-quoted electronic component distributors, with a combined turnover of £153.1m last year. They are Electrocomponents, Diploma, Farnell and Unitech. Electrocomponents had the largest pre-tax earnings (£10m) and was virtually tied with two others in terms of turnover (around £40m).

Niche

Without a major manufacturing base, these independents have been able to chisel themselves an important niche in the UK electronics market. One of the ways Electrocomponents has evaded the threat of the "big boys" has been to concentrate on selling small component orders under its own label. It has a network of some 600 suppliers around the world including the major manufacturers and for most items there are duplicate suppliers, in order to secure continuity of supply and keenness of prices.

The larger corporations would probably not find it profitable to tackle the small UK distributors, because they would laboriously have to construct the necessary infrastructure. The independent distributors took many years to develop their supplier and customer network, but the take-off only really started in the late 1970s.

Electrocomponents has managed the highest compound growth rate of the four companies since 1974 (38 per cent). But the others have all watched their shares rise rapidly on the stock exchange as investors were attracted to exploiting the silicon chip.

Electrocomponents' products range from tiny fingernail sized chips to more mundane accessories such as wiring and coil. Most of them are sold, not for manufacturing, but for use in maintenance departments, especially in the engineering business. The electronic components are also sold to research laboratories and even to amateur enthusiasts.

Although the company's customers individually are small, they constitute a strong network of more than 100,000. All sales are through mail-order catalogues, a seemingly odd way to sell electronics, though it is a more common practice in the U.S.

Electrocomponents is particularly unusual in UK terms in that it derives almost 100 per cent of its profits from the distribution of electronic components. According to a survey just released by stockbrokers, Vickers da Costa, the *other* three major companies are more diversified, taking from electronics distribution only 61 per cent (Farnell), 47 per cent (Diploma) and 34 per cent (Unitech) respectively.

Electrocomponents' decision to specialise to such an extent has helped it justify the development of a system of computerised order processing which can ensure that any telephone order is taken, processed and dispatched within 24 hours.

This is one of the reasons why the company has survived over the years. In the early 1970s, many small distributors went to the wall in the face of competition from the large manufacturers, which either had their own sales departments or had big franchise operations.

The second main reason why Electrocomponents managed to keep its head above water is the strength of its customer base.

This has been nurtured since the 1930s, when the company was first founded (as Radio Spares) by two gentlemen with a car and a small range of radio parts which they sold from the hoot. During the second world war, the company was given a boost when the Government used it as an official distribution service.

In 1961, the two founders hired Ron Marler, an accountant, to co-ordinate the business. Marler concentrated on building up the distribution business so that by the time the company went public in 1967, an infrastructure had been established. This was at least five years before the electronics "revolution" started.

Roger Taylor

Ron Marler: keeping salesmen up to date with more than 5,000 products in the catalogue.

UK ELECTRONIC COMPONENT DISTRIBUTORS

Company	Year	Sales	Pre-tax	5-Yr. Average Margins	5-Yr. Growth Rate (74-79)
Diploma	to June 79	£40.6m	£6.1m	13.8%	35%
Electro-components	to Mar. 79	£44.4m	£10.0m	20.5%	38%
Farnell	to Jan. 79	£22.3m	£4.0m	14.6%	28%
Unitech	to May 79	£45.9m	£3.6m	8.2%	24%

Marler helped develop the old Radio Spares label into RS Components, which now handles the vast majority of group business. RS Components, the main subsidiary, works hard to maintain customer loyalty. A total of 81 salesmen travel about Britain, making 11 to 12 visits a day. They are able to visit the group's 100,000 customers about every 16 weeks.

RS Components issues a new catalogue three times a year and one of the functions of the sales staff is to introduce customers to new products. Keeping salesmen up to date in a fast-changing business, with more than 5,000 products (from microchips to stopwatches) in the catalogue, is no easy task.

Because all sales are through the catalogue, the role of Electrocomponents salesmen is far from traditional. They are part-consultants and part-public relations experts, providing customer coverage which is unusual in the electronics sector.

Their efforts result in the weekly dispatch of some 40,000 orders, most of them repeats. The London-based warehouse holds at least three months of stock (worth £6m retail) and is generally able to supply 98 per cent of the items in the catalogues.

The prices for Electrocomponents products are high. But customers appear willing to pay them. Tim Sheppard, the supply manager at a GEC subsidiary, says: "Electrocomponents makes no secret of the fact that it's take-it-or-leave-it from the catalogue. But the fact that we can ring up and order products from the catalogue, get delivery the next day and not have to hold any stock ourselves makes the service very attractive."

The simplicity of marketing efficiently has paid off handsomely. Electrocomponents' return on capital last year was 66 per cent, and margins have been consistently high. Even more surprising to close observers of British industry is that high margins have been accompanied by high volume; last year the pre-tax margin was 22.5 per cent on a turnover of £44.4m. Analysts are predicting a pre-tax profit of £12m for this year, a rise of 20 per cent above last year.

According to Vickers da Costa, last year's margin compares with an 18.2 per cent net margin at Farnell (on sales of £22.3m), 14.9 per cent at Diploma (turnover of £40.6m) and 7.8 per cent at Unitech (on turnover of £45.8m).

But despite its fortunate position vis-a-vis the other UK distributors of microelectronics, Electrocomponents could have problems in the future. First, although the international electronics business is growing at an annual rate of 15 per cent, suggesting a continuing underlying growth in UK volume, there are obvious dangers in rapid growth.

The sheer physical size of the business will pose a considerable challenge to management. The number of products is increasing at a terrific rate, yet there are limits to the number of new and complicated items of which even a large sales force can keep track.

Second, the technology for various advanced electronic products is changing so quickly that there must be some concern about the speed with which any distributor can respond to the metamorphosis in customer demands.

Squeeze

Third, because of the nature of the high technology electronic components business, prices may actually drop over time while overhead costs remain the same or rise. This situation could squeeze margins and could be compounded by the other aspects of inflation.

Finally, although the business continues to be a strong cash generator, and shows every sign of continuing to be so for the foreseeable future, the management may not be able to find the kind of acquisitions which could closely complement the existing business. However, this is the kind of predicament many British managers would be happy to be in.

None of these problems should be insuperable. If the microelectronics revolution shows the potential its advocates currently claim, the UK distribution business, and Electrocomponents with it, should be one of the principal beneficiaries. The business is now expanding into all sorts of nooks and crannies which have little to do with large-scale production. Though Electrocomponents is essentially just a mail order house for high technology products, its ability to capitalise on the phenomenon should be a major strength.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

HOVERCRAFT

Big skirts from Avon

FIVE SETS of what are claimed to be the world's largest hovercraft skirt components are to be manufactured by Avon Industrial Polymers (Melksham), part of the Avon Rubber Group, for a U.S. marine consortium.

Bell-Halter of New Orleans, Louisiana, has developed a twin-hull catamaran-style surface effect ship (SES) which can operate as either a conventional craft at low speeds or as a hovercraft at higher speeds.

The 110 ft long prototype demonstration craft was fitted with an Avon skirt system last summer, and Bell-Halter has now won an order for four similar vessels.

The Bell-Halter 110 has a bow seal consisting of eight fingers each 25 ft wide, 15 ft high and weighing 2 cwt. Its massive stern seal is 30 ft wide, 10 ft long and 6 ft 6 in high, and weighs 1 ton.

Avon will be supplying a complete system for each of the four craft plus a set of spares. Work is now starting at the company's flexible fabrications factory at Chippenham, Wilts, for delivery over the next eight months.

When hovering, the Bell-Halter craft rides on a cushion of air trapped between the hulls by the flexible bow and stern by seals—with centrifugal fans providing air for the cushion.

Its principal use is seen as a supply and workboat for the offshore oil industry in the Gulf of Mexico and elsewhere. However, it can be easily modified to become a crew boat, a 275-seat *passenger ferry* or a fast patrol boat. Development is also underway on a military version which can *carry* a sophisticated range of weapons including guided missiles.

Bell-Halter is a joint venture company formed by Bell Aerospace Textron, a division of Textron Inc., and Halter Marine, Inc.

AVIATION

Training aids for pilots

LOOKING RATHER like a suitcase when it is closed up new equipment designed to be used as a portable training aid should contribute to the safety of Sea Harrier pilots says Marconi Space and Defence Systems, Marconi House, Chelmsford (0245 353221).

It is intended as a trainer for pilots to practise emergency procedures in land or ship-based crew rooms to improve their reactions to real in-flight emergencies.

Consisting of replica aircraft piloting panels — about two thirds full size—the equipment is fitted with essential functional controls and indicators.

The panels are linked to a microprocessor which responds to the correct sequences of control actions, and gives visual warning of incorrect procedures. The micro allows for expansion and can be readily re-programmed to permit updating of the aircraft equipment and procedural standards as required.

Built for operation during three month sea tours, the trainer includes built-in self-test facilities.

TRANSPORT

Extends life of tyres

PROMISING economy of fuel and savings of up to 100 per cent on tyre replacement costs on vehicles with twin rear wheels is a new tyre pressure equalising device from Swiss company Ettco, available from importer Michael Ede Management UK, Nuthurst, Horsham, West Sussex.

The device is a *precision-built* valve which maintains equal pressures in the inner and outer tyres under all normal running conditions while providing safeguards against loss of air through puncture or blow-out.

Safety is said to be increased and servicing costs are cut by an indicator which allows pressures to be checked visually in a few moments.

CONFERENCES

Talks on networks

PUBLIC DATA networks will be the subject of a seminar sponsored by the National Computing Centre which is to be held at the Institute of Marine Engineers in London on February 28.

It will deal with techniques, equipment standards and procedures for communications networks and is aimed at data processing managers, systems analysts and communications managers.

Chairman of the meeting will be David Firnberg, managing director of Urwick-Nexos. Keynote address will be given by M. L. Pouzin, who heads up the Pilot Projects Division of IRIA in France, and there will be contributions by speakers from Post Office Telecommunications, the National Physical Laboratory and Trustee Savings Bank Computer Services.

Further details from Seminar Bookings, The National Computing Centre, Oxford Road, *Manchester M1 7ED.* (061-228 6333.)

The human factor

ERGONOMISTS and human factors engineers will attend a residential short course at Cranfield Institute of Technology, April 28-May 2, called "People, Products and Design" —which aims to provide practical tuition for a group of design-based engineers and managers on human factors engineering and design.

Human factors engineering and ergonomics is the study of the efficiency of persons in their working environment and the ways in which to adapt tools and machines to the operators' physical limitations.

Outlook for aluminium

BEER CANS, aircraft and motor cars have all contributed in increasing the demand for aluminium in the past, but now the outlook for new markets for the material will be reviewed in the 16th John Player Lecture on February 27.

Presented by the Institution of Mechanical Engineers at its headquarters, 1 Birdcage Walk, London SW1 (01-222 7899), the lecture is called "Some Future Uses of Aluminium" and will be given by Mr. Roy Woodward.

DATA PROCESSING

Information easily retrieved

A COMPUTER system for application to minicomputers has been announced by the United Kingdom Atomic Energy Authority which allows data to be easily retrieved whether it consists of text, figures, lists or structured data.

It has been developed by UKAEA's National Centre of Systems Reliability whose staff found, while investigating the use of computers for their own purposes, that "there was nothing able to handle and combine" such data.

The system is called Lexiboss and the world distribution rights have been given to Turnkey Software, PO Box S3, Amersham, Bucks. (02407 3410).

According to this company's director, Mr. M. Fabesch, an important aspect of Lexiboss is that there need be nothing fixed about the way in which data is structured; if circumstances of industrial retrieval change, the structuring can be changed without changing the whole system. Furthermore, the data bank can be kept continuously updated.

The system can be used at various levels of complexity. At its highest level, Lexiboss provides a complete storage, *search, recovery, display and* print-out service. Instructed to produce up-to-the-second information, for example on a particular industrial process or on legal precedents or judgments, it will initially present the user with a list of all the main references applicable to the inquiry.

This information can then be instantly refined to cut down the number of options from which the user can select either a summary or a full text which can be displayed visually or printed out at high speed.

Reduces data line costs

MULTIDROP TERMINAL data networks can benefit from reduced line costs using a microprocessor based line concentrator, Micro 300, introduced by Scicon Computer Services.

Using statistical multiplexing, up to eight multidrop lines, operating with polled asynchronous terminals at speeds up to 1800 bits/sec can be concentrated down to a single high speed line operating synchronously up to 4800 bits/sec.

The special advantage of the technique is that it can transmit variable length data blocks according to the loading on individual channels and buffer data temporarily during peak traffic periods. The multiplexors at the two ends of the high speed line communicate with each other by means of a continuous stream of fixed length synchronous blocks, each containing a pre-defined number of characters for each channel. The receiving end knows which characters belong to each channel by means of their position in the block.

Scicon points out that polled terminals are inactive at least half the time and that the statistical technique of the Micro 300 means that the channel capacity is at least 50 per cent better than that provided by ordinary time division multiplex (TDM).

The available data rate on the shared telephone line or digital data link is assigned dynamically to channels as required, rather than being fixed.

More from the company at Brick Close, Kiln Farm, Milton Keynes MK11 3EJ (0908 565656).

New business machine

ADDED TO the bottom end of the range of business machines offered by LSI Computers is the Model I which has twin floppy disc drives, a visual display unit and a 60/100 characters per second printer, all contained in a teak-finish desk unit for £5,995.

Software packages already available with other machines in the System M-One range will run on the new machine and include stock management, bill of materials processor, a basic modular accounting package incorporating sales ledger (up to 700 accounts) and several others.

There are now six models in the range. The next one up is the Model 1A at nearly £1,000 more and is the original machine introduced to the market about three years ago.

More from the company at Copse Road, St. Johns, Woking, Surrey GU24 1SX (Woking 23411).

INSTRUMENTS

Particle size analyser

A CURVE of the distribution of particle sizes in a powder can be obtained in about ten seconds using the Cilas Granulometer 715 available from Specfield, 1A Jennings Buildings, Thames Avenue, Windsor, Berks (Windsor 53132).

A histogram appears on a light-emitting diode matrix display and is continuously updated; 16 particle sizes are discriminated from one to 192 microns.

About one gram of the powder is dispersed in 500 ml of liquid which is continuously circulated through a glass cell which is illuminated by a laser beam. The presence of the particles within such a coherent light beam gives rise to a diffraction pattern which is brought to a focus on a multi-cell photodetector. Data obtained from the diffraction rings is used to determine the particle distribution. The results are also printed out.

No calibration is required apart from pressing a button to obtain a background illumination reading with plain water. The whole operation including flushing out the previous sample takes less than three minutes and involves pressing six buttons in sequence.

COMPONENTS

Distributor plans for expansion

ACCORDING TO Unitech's managing director for component marketing Tim Curtis, there will be fewer newcomers to the electronic component distribution industry in the coming decade simply because the investment needed to start at a viable size is now much higher, due in part at least to the unit cost of a microprocessor.

Celdis, one of the Unitech companies, has recently been injected with a further £1m of capital for expansion purposes and has at the same time split itself into three divisions that will deal with passive/special products, active devices, and complete collections of boards that can form the bases of microcomputer systems for original software for the time being. Hardware franchises now include Motorola, National Semiconductor, Mostek, Data General, Texas Instruments and Fairchild.

An interesting aspect of Unitech is that since its recent acquisition of Alfred Neye in Germany, it now sells more products outside the UK than inside: the total turnover figure is now nudging £50m per annum.

Celdis is at 37 Lovelock Road, Reading, RG3 1ED (0734 582211).

MATERIALS

Sperm oil substitute

PRODUCTS WHICH will replace sperm oil in virtually all applications have been introduced by Unichema International.

The company points out that these quality controlled and more ecologically desirable products are not subject to the erratic supply situation of sperm oil with its consequent fluctuations in price. Manufacturers will therefore be able to make a contribution to preserving an endangered species — the sperm whale—while cutting costs and improving the reliability of their processes.

Designated Estol, the range includes products for leather fat liquor producers and lubrication additive manufacturers. Others are tailor-made for various applications, optimising price and performance. They can be sulphurised, sulphated, sulphited. Incorporated into blends and offer an outstanding consistency of performance over that of sperm oil.

More from Unichema International, Bebington, Wirral, Merseyside, L62 4UF (051-645 2020).

HANDLING

Protection from the weather

ELASTICATED woven plastic stack covers are being used to provide all-weather protection for freight passing through *Liverpool Airport.* They are made by Bowater Packaging, Portland House, Stag Place, London SW1 (01 834 9441).

Made from cloth which is woven from high density polyethylene tapes, and coated on both sides with low density polyethylene, the self-coloured bright orange covers are said to combine *good tensile* strength with a high level of water resistance, and are tailored to fit securely and quickly over the airport's standard 1,000 kilo freight trolleys.

CONTRACTS AND TENDERS

Companies and Markets

WORLD STOCK MARKETS

NEW YORK

1979-80 High	Low	Stock	Feb. 22
28⅜	23	Brown Grp.	24⅞
30	16⅛	Brown & Sharp.	29⅛
17⅜	11¾	Brown-Ferris.	16⅛
15⅝	11⅛	Brunswick	14
24⅝	15½	Bucyrus-Erie	20½
18¾	15	Burlington Ind.	17½
72⅜	35½	Burlington Nthn.	71¾
35¾	18¾	Burndy	35⅝
86	64½	Burroughs	76¼
43¾	27	CBI Inds	41
56⅜	44¼	CBS	61⅛
69⅞	31⅛	CIT Financial	51¼
70½	48⅝	CPC Intl.	64½
34¼	14½	Campbell Red L.	31⅝
34⅝	27¼	Campbell Soup	27¼
27½	20	Campbell Tagg.	23½
18	10	Canal Randolph	16⅞
43⅛	19¾	Can. Pacific	41⅜
29¼	12	Carlisle Corp.	25
29⅛	22⅛	Carnation	25¼
66⅝	35	Carp Tech	30½
20⅝	14⅝	Carter Hawley	16⅞
61¾	42½	Caterpillar	54½
48⅞	45	Celanese Corp.	44¼
47¾	18¼	Centex	43¼
16¼	11½	Central & SW	11½
21⅛	11	Central Soya	17¾
28¾	22	Central Tel Util.	22
18⅞	13¼	Certain-teed	10¼
28⅛	16½	Cessna Aircraft	28⅛
2⅛	1	Champ Home Bld	1⅜
28¼	90¾	Champ Intl.	94
13⅝	2½	Champ Sp Plug	2¾
42½	32⅜	Charter Co.	42¾
43¼	30	Chase Manhatn	35⅝
44½	34½	Chemical NY	38⅝
25⅝	21	Chese Pond	91¾
34	20⅛	Chessie System	39⅝
29¼	22½	Chicago Pneum.	22¾
11⅛	5¾	Chrysler	9¼
45⅞	34⅝	Chubb	34⅝
37⅝	18¼	Cincinnati Mil.	35
20½	20⅜	Citicorp	20½
110½	55⅛	Cities Service	104¼
21⅜	14	City Investg.	17¼
45	33⅛	Clark Equipment	43⅝
37¼	17½	Cleve Cliffs Iron.	35½
13	9⅝	Clorox	9⅝
12¼	8⅝	Cluett Peaby.	8¾
45	31¾	Coca Cola	33⅝
7⅛	5¼	Coca Btl. NY.	5¼
19	12¾	Colgate Palm.	19⅞
10⅝	7¼	Collins Aikman	7⅝
63½	34	Colt Inds.	49

1979-80 High	Low	Stock	Feb. 22
18¾	8⅛	Firestone	8⅝
44¼	32¼	1st Bank System.	37
21⅝	12½	1st Charter Fin.	12¾
12¾	14	1st Chicago	15
42	32¼	1st City Bank Tex.	38⅞
47⅛	31¼	1st Intl Banc.	35¾
37⅛	11⅝	1st Mississippi	37
33⅛	25½	1st Nat. Boston	29½
16	7⅝	1st Penn	7⅝
6¾	4⅜	Fisons	6¼
12¾	7¼	Fleetwood Ent.	7½
18⅝	12¼	Flexi-Van	16⅞
32⅝	21⅜	Florida Pwr & L.	21⅜
45¼	30⅜	Ford Motor	30⅝
30⅛	18¼	Foremost McK.	25
30	18½	Foster Wheeler	22½
44¼	30	Foxboro	39¾
11¼	5⅜	Franklin Mint	2⅜
69⅞	32⅝	Freeport Minl.	66⅜
39	26½	Fruehauf	28⅛
13⅛	2¼	GAF	10¼
45	24⅛	GATX	35⅞
27¾	16	GK Technologies	24⅜
38⅛	22¾	Gamble-Skogmo	38⅛
49	32¾	Gannett	43¼
37¾	24⅝	Geico	24⅝
15⅛	9½	Gen Am Invest.	13⅞
26	17⅝	Gen Cinema	19⅝
84¾	26	Gen Dynamics	73⅝
06¼	46⅝	Gen Electric	50⅝
10	3⅝	Gen Exploration.	6⅛
36¾	26⅞	Gen Foods	26⅞
03¼	29⅜	Gen Instrument.	47⅝
22	92⅜	Gen Mills	22⅞
65¾	49⅜	Gen Motors	49¾
18	12½	Gen Portland	17⅝
18⅜	0⅛	Gen Pub Utilities	8⅛
104	62	Gen Reinsce	82
39⅜	22	Gen Signal	33¾
30½	26⅝	Gen Teleg Elec	28½
26⅞	16½	Gen Tire	16½
5½	3⅜	Genesco	3¾
26¾	21	Genuine Parts	22⅜
33½	23¾	Georgia Pac.	30⅜
65	97¾	Geosource	62¼
30⅝	23⅝	Gerber Prod	24
96¾	33½	Getty Oil	91¼
36	14⅝	Giddings Lewis.	30⅝
98	22	Gillette	22
54¾	14⅝	Global Marine	53
23⅞	17⅝	Goodrich (BF)	20¾
18½	12	Goodyear Tire	12⅛
29¾	22¼	Gould	23⅝
43¾	25⅝	Grace	41⅜
32⅞	31¼	Grainger (WW)	35⅝

CANADA

HOLLAND

ITALY

NORWAY

SWEDEN

SWITZERLAND

FRANCE

AUSTRIA

BELGIUM/LUXEMBOURG

GERMANY

DENMARK

JAPAN

SINGAPORE

SOUTH AFRICA

AUSTRALIA

HONG KONG

BRAZIL

TEL AVIV

Financial Rand US$1.08 (Discount of 12¼%)

Spanish prices, Page 14

Indices

NEW YORK—DOW JONES

	Feb. 22	Feb. 21	Feb. 20	Feb. 19	Feb. 15	Feb. 14	1979-80 High	1979-80 Low	Since Cmpil'n High	Since Cmpil'n Low
● Industr'ls	863.77	868.52	886.88	816.02	884.96	895.77	903.84 (13/2/80)	796.67 (1/11)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	88.82	68.33	66.81	87.40	88.18	68.57	88.18 (15/8)	86.92 (22/2/68)	—	—
Transport.	289.00	289.15	290.00	284.96	287.28	280.66	305.80 (8/2/80)	805.78 (22/2)	305.00 (8/2/80)	12.85 (8/7/32)
Utilities	116.85	116.95	110.52	109.64	111.20	112.85	113.48 (15/2/80)	88.24 (24/10)	168.58 (20/4/69)	10.52 (28/4/42)
Trading Vol 000's	48.218	51,550	44,840	38,460	46,880	33,546	—	—	—	—

● Day's high 877.47 low 838.80

	Feb. 15	Feb. 8	Feb. 1	Year ago (approx)
Ind. div. yield %	6.50	6.50	6.50	5.91

STANDARD AND POORS

	Feb. 22	Feb. 21	Feb. 20	Feb. 19	Feb. 15	Feb. 14	1979-80 High	1979-80 Low	Since Cmpil'n High	Since Cmpil'n Low
‡Indust'ls	130.64	131.08	132.44	130.09	130.34	132.41	134.47 (15/2/80)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	115.04	115.28	116.48	114.88	115.41	116.72	113.44 (13/2/83)	96.18 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Feb. 20	Feb. 13	Feb. 6	Year ago (approx)
Ind. div. yield %	4.89	4.81	4.92	5.07
Ind. P/E Ratio	8.32	8.45	8.22	9.01
Long Gov. Bond Yield	12.87	11.85	11.86	9.01

N.Y.S.E. ALL COMMON

MONTREAL

TORONTO Composite

NEW YORK ACTIVE STOCKS

FT GROCERY PRICES INDEX

Milk price rise adds 1.5% to shopping costs

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index rose by a further 1.5 per cent in February to 122.32. The main reason for the increase was a sharp rise in milk prices, with the other two major items of the shopping basket, meat and vegetables, remaining fairly stable.

There were no reports from any of the 25 FT shoppers of any shortages of canned foods in supermarkets as a result of the two-month-old steel strike.

Food manufacturers still have about a month's stock of canned foods available and they report that supermarkets, which also hold up to a month's stock in their warehouses, have not increased their orders from manufacturers.

The major supermarket chains say there has been little, if any, panic buying of canned foods so far and point out that adequate supplies of fresh and frozen foods are available. Shortages, however, could occur in pet foods, which are mainly sold in cans.

The lack of any extra demand for canned goods was also shown by a slight fall in their cost in this month's shopping basket. The canned goods section in February cost £176.55, compared with £176.86 in January.

The index gives an indication of the trend in prices, rather than acting as an absolute indicator of particular price levels.

It is based on data collected each month by 25 shoppers, who monitor a list of 100 grocery items in the same shops. The shops chosen range from super stores to small village grocers throughout the UK.

	February £	January £
Dairy produce	615.22	591.26
Sugar, tea, coffee, soft drinks	191.58	189.44
Bread, flour and cereals	279.61	278.02
Preserves and dry groceries	98.74	99.25
Sauces and pickles	47.29	46.92
Canned goods	176.55	176.86
Frozen foods	215.64	214.73
Meat, bacon etc. (fresh)	507.42	507.76
Fruit and vegetables	243.65	240.01
Non-foods	224.38	216.57
Total	2,600.08	2,560.82

Index for February: 122.32

1979: January 108.54; February 108.65; March 109.12; April 110.88; May 113.59; June 116.02; July 114.79; August 114.16; September 114.17; October 114.95; November 116.36; December 118.74.

1980: January 120.47; February 122.32.

The largest increase in the basket this month was in dairy produce, which in value terms also represents the largest single cost in the basket although this influence is countered by the overall weighting of the index.

Dairy produce rose by just over 4 per cent in February compared with a less than 1 per cent increase in January.

The main reason was the 1½p increase in the price of milk implemented last week. The price of some cheeses also went up as a result.

As with previous milk price rises, this rise will almost certainly lead to a short-term fall in consumption. Last June, a 1½p per pint increase led to a 3 per cent fall in consumption.

Relatively mild weather this month also meant a lower-than-expected increase in the price of fresh fruit and vegetables.

Usually, cold February weather means many crops remain frozen in the ground. This year, however, supplies have been plentiful and the cost to the basket only rose by 1.5 per cent.

Meat items showed a slight fall in cost after a 2.6 per cent rise last month. The stability in prices was helped by last week's cut in the wholesale price of bacon, as well as the continuing competition between meat retail outlets.

The non foods section of the basket, including goods such as detergents, rose by 3.6 per cent, which probably reflects the increase in oil prices now filtering through to oil-based products.

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INSURANCE

Secure behind their exclusion clauses

BY OUR INSURANCE CORRESPONDENT

IF YOU EMPLOY a security firm to patrol your factory when it is closed, and one of the patrolmen deliberately starts a fire which gets out of control and destroys your factory, can you (or your fire insurers) recover the cost of reinstatement from the security company?

Equity, reasonableness, common sense and virtually any non-legal basis one can think of would seem to suggest that it is right in these circumstances for you to have redress.

But security firms have tightly drawn contracts, with strongly worded exclusions, and the legal answer to the question I have posed, delivered by the House of Lords a few days ago, shows that provided its exclusion clauses are firm and clear, the security company can escape liability.

Later this year, when the full report of the judgments in *Photo Production v. Securicor Transport* is available, we shall all be able to analyse more positively the decision.

Meantime, it has to be recorded that the Law Lords unanimously overturned the Court of Appeal that Securicor could not shelter behind its exclusions.

So a long-running law suit has come to its legal terminus and, saving Parliamentary intervention to change the law, security companies are now clearly entitled to rely on exclusion clauses as against their commercial customers.

Uncertain, however, is their position in respect of consumer contracts — contracts with the ordinary citizen made in his or her private capacity.

True, these are few in number but the number is growing with the continuing increase in the installation of burglar alarms in homes and flats.

The Unfair Contract Terms Act, 1977, applies to consumer contracts, and in the event of dispute, enables the court to apply exclusion clauses having regard to what is just and reasonable.

Coming back to the commercial scene, the Securicor case stands out as a unique piece of litigation history because there has been no similar major law suit reported against a security firm in the last decade.

In the vast majority of commercial cases, where premises are damaged by fire, where property is stolen by thieves, the fire damage or the crime loss is insured and moreover that insurance may be scheduled, with a number of insurers participating.

For its part, the security company, despite its protective contractual exclusions, will have liability insurance to protect it against claims which pierce the chinks in its defensive armour.

So a dispute over loss or damage, where it is alleged that the security firm has not done its job, comes more often than not to a dispute between insurers: and where a fire loss is concerned, and where the risk is scheduled, one insurer can be involved in both sides of the dispute.

It is mainly because of this insurance background that there has been such an absence of litigation—and the House of Lords judgment makes the prospect of future litigation most unlikely.

The security companies may now hope to get some alleviation in the liability premiums they pay, for the risk they insure is patently less than it appeared it might be even a few days ago.

They may hope, but whether those hopes are realised rests with the individual underwriters at next renewal.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Electrical Exhibition (0483 222886) (until Feb. 29)	NEC, Birmingham
Current	International Instruments, Electronics and Automation Exhibition (021-705 6707) (until Feb. 29)	NEC, Birmingham
Current	International Pneumatics and Hydraulics Exhibition, including Compressors and Power Transmission Equipment (021-705 6707) (until Feb. 29)	NEC, Birmingham
Feb. 26—28	Drawing Office Show—DOMMDA (01-242 3621)	Wembley Conference Centre
Feb. 29—Mar. 9	Camping, Outdoor Holiday Exhibition and Motor Caravan Show (01-262 2886)	Olympia
Mar. 2—6	Antoquip Exhibition (01-235 7000)	Wembley Conference Centre
Mar. 2—6	International Contract Furnishing and Interior Design Exhibition (01-540 1101)	Olympia
Mar. 3—6	National Mail Order Merchandise Show (0272 292156)	Royal Horticultural Halls
Mar. 4—6	Automatic Laboratory Techniques Exhibition (01-885 7777)	West Centre Hotel, London
Mar. 4—15	Chelsea Antiques Fair (0727 56069)	Chelsea Old Town Hall
Mar. 4—29	Ideal Home Exhibition (01-353 4000)	Earls Court
Mar. 5—6	Fire Protection Association LPG Conference and Exhibition (0277 74290)	Connaught Rooms, London
Mar. 11—13	Microforum Europe (01-405 6233)	Wembley Conference Centre
Mar. 11—13	Ready-to-Wear Fashion Fair (01-637 2400)	Bristol
Mar. 17—21	Brewex '80—International Brewing, Bottling and Allied Trades Exhibition (021 705 6707)	NEC, Birmingham
Mar. 17—21	International Packaging Exhibition—PAKEX (021-705 6707)	NEC, Birmingham
Mar. 25—28	London Fashion Exhibition (01-385 1200)	Olympia
Mar. 26—28	Viewdata '80 Exhibition (0895 39262)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Trade Fair for Musical Instruments, Musical Accessories and Musical Publishers (01-734 0543) (until Feb. 27)	Frankfurt
Current	Gift Show (01-215 7877) (until Feb. 29)	New York
Feb. 25—28	Automotive Engineering Congress and Exhibition (01-215 7877)	Detroit
Feb. 26—29	World Fair of Technology Exchange—TECHEX (01-584 5749)	Copenhagen
Feb. 26—29	Offshore South East Asia Exhibition (01-486 1951)	Singapore
Mar. 1—10	International Art of Homemaking Exhibition (01-439 3964)	Paris
Mar. 2—5	European Fashion Fair (01-215 7877)	New York
Mar. 2—6	International Spring Trade Fair (01-734 0543)	Frankfurt
Mar. 2—9	International Agricultural Exhibition (01-439 3964)	Paris
Mar. 4—12	IMF 80 International Fair for Mechanical Handling (0727 63213)	Basle
Mar. 9—Mar. 16	International Spring Fair (01-493 3111)	Leipzig
Mar. 10—13	International Footwear Fair (01-539 4891)	Elda
Mar. 15—21	World Photographic Exhibition—WORLD PHOTO (021-705 6707)	Singapore
Mar. 16—20	Middle East Business Equipment Show (01-486 1951)	Bahrain
Mar. 22—26	Confectionery, Chocolate and Biscuits (INTERSUC) (01-439 3964)	Paris
Mar. 23—31	Spring Fair (01-935 8200)	Dubai
Mar. 27—Mar. 31	Machine Tool Exhibition—METAV (01-409 0956)	Dusseldorf

BUSINESS AND MANAGEMENT CONFERENCES

Feb. 25—29	Moroccan Ministry of Trade and Industry in co-operation with UN Industrial Development Organisation: International Industrial Investment Forum (01-584 8827)	Rabat
Mar. 3—4	FT Conference: World Motor Industry (01-236 4382)	Geneva
Mar. 4	The Institute of Directors: *Are Chips Fattening?* (01-940 4925)	Pall Mall, SW1
Mar. 5	British Printing Industries Federation: Books UK (01-242 6904)	London Press Centre
Mar. 5—7	SOCPO: Facing Change in the 1980's—The Role of the Personnel Function (Worcester 353366)	NEC, Birmingham
Mar. 5—6	BIM: Getting to Grips with Mini and Micro Computers (01-405 3456)	Parker Street, WC2
Mar. 10—11	Government Research Corp.: U.S. Banking in 1985 (0444 51507)	Hyde Park Hotel, W1
Mar. 10—13	Compower Training School: JCL/Utilities for Operations Staff (Cannock 2511)	Cannock
Mar. 12	Henley School for Forecasting: Forecasts for Consumer Marketing Plans Short, Medium and Long Term (01-353 9961)	Carlton Tower Hotel, W1
Mar. 12	International Council of Shopping Centres: The Changing Face of Shopping (01-589 3422)	Hilton Hotel, W1
Mar. 13	P.A. International—The Successful Acquisition of Companies in the U.S. (01-581 2067)	Hilton Hotel, W1
Mar. 13—14	CCC: The Use of Offshore Financial Centres—The Netherlands and the Netherland Antilles (01-222 6362)	Lido de France, Jersey
Mar. 13—14	Eurotech: Office Planning and Design (Aldershot 313066)	Sheraton Park Hotel, SW1

Parliamentary business this week

TODAY

COMMONS—Private members' motions until 7 pm. Guillotine motion on Social Security Bill.

LORDS—Bees Bill, report. Education Bill, second reading.

SELECT COMMITTEES — *Public Accounts.* Subject: Thames tidal defences. Witnesses: Permanent Secretary, Ministry of Agriculture. Subject: Livestock improvement schemes for crofters. Witnesses: Department of Agriculture, Scotland. 4.45 pm. Room 16. **Home Affairs.** Subject: Public order. Witnesses: Commission for Racial Equality. 5 pm. Room 8. **Treasury and Civil Service.** Subject: Efficiency of Civil Service. Witnesses: Mr. W. L. Kendall, Civil Service national staff side. 5 pm. Room 15.

TOMORROW

COMMONS — Companies Bill, remaining stages.

LORDS — Criminal Justice (Scotland) Bill, report.

SELECT COMMITTEES — **Social Services.** Subject: Perinatal and neonatal mortality. Witnesses: Department of Health. 4.30 pm. Room 15. **Foreign Affairs.** Overseas Development sub-committee. Subject: Increase in overseas students' fees. Witnesses: High Commissioner of Sierra Leone, Council for Education in the Commonwealth, UK Council for Overseas Student Affairs, Committee of Vice-Chancellors and Principals. 4.45 pm. Room 16. **Ombudsman.** Subject: Report of Health Service Commissioner. Witnesses: Mr. C. M. Clotheir, Health Service Commissioner. 5 pm. Room 7.

WEDESDAY

Commons—Companies Bill, remaining stages.

LORDS—Debate on Finniston Report. Short debate on cathedrals.

SELECT COMMITTEES — **Education.** Subject: Information, storage and retrieval in British Library Service. Witnesses: Standing Conference on National and University Libraries, the Library Associa. 10 am. Room 6. **Energy Committee.** Subject: Government's nuclear power programme. Witnesses: Mr. Gerald Leach, Lord Bowden. 10.45 am. Room 8. **Foreign Affairs.** Subject: Consequences of Soviet expansion for British foreign policy and Olympic Games. Witnesses: Sports Council, Central Council for Physical Recreation, Dr. Karen Darwisha, Mr. Hector Munro, Environment Under-Secretary. 10.45 am. Room 15. **Industry and Trade.** Witnesses: British Shipbuilders. 10.45 am. Room 16. **Transport.** Subject: EEC green paper on transport infrastructure. Witnesses: British Road Federation. 4.15 pm. Room 8. **Employment.** Subject: Legal immunity of trade unions. Witnesses: Sir David McNee, Metropolitan Police Commissioner, Sir Philip Knight, Chief Constable of West Midlands, Mr. J. Woodcock, Chief Constable of South Wales, Mr. J. H. Brownlow, Chief Constable of South Yorkshire. 4.30 pm. Room 15.

THURSDAY

COMMONS—Debate on Labour motion of no confidence in the economic and industrial policies of the Government.

LORDS — Residential Homes Bill, committee. Water Bill, second reading. Protection of Trading Interests Bill, third reading. National Heritage Bill, committee. Farm and Horticultural Grant Orders. Short debate on commercial size fast breeder nuclear reactor.

SELECT COMMITTEES—Agriculture. Subject: Implications for the UK of the Common Agricultural Policy on milk and dairy products. Witnesses: National Farmers' Union, County Landowners Assoc. 11 am. Room 16. **Home Affairs.** Subcommittee on Race Relations and Immigration. Subject: Race relations and the "Sus" law. Witnesses: Bar Council, Society of Labour Lawyers. 4.30 pm. Room 15.

FRIDAY

COMMONS — Private members' Bills.

WEEK'S FINANCIAL DIARY

TODAY

COMPANY MEETINGS—

Barr (A. G.), 136 Gallow Gate, Glasgow, 11.00

Crest Intnl., 63 Lincoln's Inn Field, WC, 12.00

BOARD MEETINGS—

Finals: Alexanders Holdings; Baynes (Charles); Ransomes, Sims and Jefferies; Rhodesian Corp.; Ward Holdings; Yale Catto

DIVIDEND & INTEREST PAYMENTS— [illegible]

COMPANY MEETINGS— [illegible]

BOARD MEETINGS— [illegible]

Interims: [illegible]

DIVIDEND & INTEREST PAYMENTS— Danae Invest. Tst. Income 1.6p; Dixons Photographic 1.25p; Mercantile House 4p; Vectis Stone 0.95p

WEDNESDAY, FEBRUARY 27

COMPANY MEETINGS—

Assoc. Sprayers, Plume St., Birmingham, 12.00

BOC Intnl., Lyric Theatre Hammersmith, King St., W. 3.00

M. and G. Dual Tst., Three Quays, Tower Hill, EC, 2.15

Nash (J. F.) Birmingham Chamber of Industry and Commerce, Harborne Rd., Birmingham, 12.00

Silverthorne, Queens Hotel, Cheltenham, Gloucestershire, 2.30

Unochrome Intnl., Queens Hotel, Cheltenham, Gloucestershire, 3.15

BOARD MEETINGS—

Finals: A.C. Cars; Allen Harvey and Ross; General Accident Fire and Life Assurance; Hoover; Moorside Trust

Interims: Australian and International Trust; BPM; Brown Brothers

DIVIDEND & INTEREST PAYMENTS— Fairdale Textiles Ord. and A 0.3p; Nash (J. F.) Secs. 3.5p; Nottingham Brick 12.72p; Reliant Motor 0.5p; Renold Ln. 3¾pc; Waddington (John) 5.22p

THURSDAY, FEBRUARY 28

COMPANY MEETINGS—

Birmingham Pallet, Birmingham Chamber of Industry and Commerce, Harborne Rd., Birmingham, 12.00

Cambridge Water, 41, Rustat Rd., Cambridge, 4.30

Cowie (T.), Millfield House, Hylton Rd., Sunderland, 12.00

Eprotherm, Eardley Hotel, Worthing, Sussex, 12.00

South Staffordshire Waterworks, 30, Sheepcote St., Birmingham, 12.30

Spencer Clark Metals, Crescent Steel Works, Warren St., Sheffield, 12.00

BOARD MEETINGS—

Finals: Cardinal Investment Trust; Imperial Chemical Industries

Interims: Compari International; Challenge Corporation; Commercial Bank of Australia; Footwear Industry Investments; London Shop Property Trust; Walker (Thomas)

DIVIDEND & INTEREST PAYMENTS— Agricultural Mortgage Corp. Var. Rate Bds. 1/10/82 4½pcDeb. 1977-82 2¼pc; Allied Leather 5pcPf. 1.75pc; Allnatt London Properties 5¼pc; Assoc. Biscuit Manufacturers Lns. 3¼ 5¼pc; Assoc. Engng. Ord. Units 4.39p; Assoc. Sprayers 1.5p

[illegible]

FRIDAY, FEBRUARY 29

[illegible]

SATURDAY, MARCH 1

DIVIDEND & INTEREST PAYMENTS— [illegible]

Financial Times Conferences

World Pulp and Paper Conference
Helsinki—April 28 and 29, 1980
Presentations will include an *analysis of the immediate outlook for the industry*, given by Mr. Bo Wergens, Director General, The Swedish Pulp and Paper Association and Dr. H. Geginat, Chairman of the Board of Management, Feldmühle AG will be giving the European Community *Company* View.

World Electronics—Strategies for Success
Monte Carlo—May 5, 6 and 7, 1980
A conference arranged with Mackintosh International to examine three specific themes. The first, devoted to the European electronics industry, will focus on the resurgence of the European industry and the *implications of its successful penetration* of the U.S. market.
The second will concentrate on the general challenge to U.S. domination in the electronics industry and on *the growth of the industry* in Europe, the Middle East and Asia. Thirdly, the emergence of the "Information Society" will be analysed, including the role of the video disc and automotive equipment in offices.
The opening address will be given by *Viscount Etienne Davignon*, Commissioner for Internal Market and Industrial Affairs, Commission of the European Communities.

All enquiries should be addressed to:
Financial Times Limited
Conference *Organisation*
Bracken House, 10 Cannon Street
London EC4P 4BY

Tel: 01-236 4382
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

Lufthansa to stay in the black

BY ROGER BOYES IN BONN

LUFTHANSA, the West German airline, made a profit last year and expects to stay in the black in 1980 as well, despite the uncertainties surrounding the cost of aircraft fuel.

Although the airline gave no exact profit figures, a shareholder's letter has made clear that a sharp increase in passenger and freight demand has compensated for the increased cost of kerosene and the temporary worldwide grounding of DC-10 long range airliners. The Condor airlines subsidiary has been the worst hit by the fuel price increases and will report a loss to the parent company compared to a DM 6.5m ($1.62m) profit in 1978. This will affect the overall earnings position of Lufthansa in 1979, but the airline will stay in profit.

Passengers carried by the airline increased by 9.2 per cent to 13.7m in 1979 while freight rose by 13.6 per cent to almost 400,000 tonnes. The increase in passengers may, to some extent, reflect Lufthansa's restraint in fare pricing over the past year. Its fares on European routes, for example, rose only by about 5 per cent, compared to the 10 per cent recommended by the International Air Transport Association at last summer's Geneva meeting.

This seems to have helped to sustain demand while not necessarily biting into revenue—gross passenger revenue rose by 11.7 per cent to DM 3.6bn. Overall revenue was up by 12 per cent to DM 4.8bn.

Lufthansa appears to be in a relatively privileged position among European airlines, certainly as far as fuel costs are concerned. It uses significantly less kerosene than some of the other major airlines because of its modern fleet and has benefited from the strength of the Deutsche Mark in purchasing dollar-denominated fuel.

The airline is continuing to feel the bite of price competition on some routes—notably the transatlantic ones—but it is determined to broaden its network and this summer intends to add Atlanta, Dallas, Kuala Lumpur, Leningrad and Peking to its schedules.

Eurocurrency loan for China

BY COLLENA MCDOUGAL

THE BANK of China signed its first syndicated Euro-currency loan in London last Friday with a consortium of 20 Middle Eastern banks, led by the Union des Banques Arabes et Françaises (UBAF). The loan which is completely untied, is for $300m for five years at 0.5 per cent over London interbank offered rate (Libor) to be repaid in a lump sum at the end.

Dr. M. M. Abuohedi, chairman of UBAF, sees the loan agreement as marking the move of China, from one era to another. From the early Government to Government and mainly bilateral deals to at least a semi-public syndicate.

Under the present agreement UBAF and the Alahli Bank of Kuwait have made the most substantial commitments at $52m and $50m respectively followed by the Arab Bank and the European Arab Bank at $30m each, and the Arab African International Bank, at $25m. The remaining participants have contributed $3m to $15m.

Under the terms of the loan, the Bank of China should have drawn the whole amount by the end of six months from the signing of the agreement. The Bank of China may reduce the drawing, however, if it gives notice and if so what remains undrawn will be cancelled.

The Bank of China has agreed to provide its balance-sheet before drawing the loan.

In case of disputes which cannot be resolved through conciliation, settlement will be by arbitration in London. In foreign trade the Chinese are coming to accept the idea of arbitration in a third country, though they much prefer to resolve problems through discussions or before the Peking Arbitration authorities.

The Western partners of UBAF which include British, French, West German, and U.S. banks, have dropped out of the consortium at Peking's suggestion. The amount of the loan was correspondingly reduced from the original $500m agreed last March. The Chinese reportedly preferred to keep this an all Arab loan since they were already making bilateral arrangements with Western banks. The loan period has been extended from the original 3½ years to five.

UBAF legal advisers were Coudert Freres, whose Paris and Hong Kong offices have gained particular expertise in the China trade and banking field.

Argentine oil company to float $100m credit

BY PETER MONTAGNON

THE ARGENTINE state-owned oil company, Yacimientos Petrolíferos Fiscales is to float a $100m, eight year syndicated credit through a group of four major banks, including Lloyds Bank International, Credit Lyonnais, DG Bank, and Banco de la Nacion Argentina.

Terms of the loan, which have been long-awaited in the euro-currency markets, provide for a spread of ¾ points over London interbank offered rate (Libor) for the first four years, rising to ⅞ thereafter. There is a four year grace period.

The deal is guaranteed by the Republic of Argentina, and is therefore likely to be seen as something of a benchmark for lending to that country this year.

The most recent sovereign borrowing by Argentina in the syndicated loan market was a $250m, six year credit, with a spread of 1/2 points throughout. This is due to be signed on March 7.

Placid to drop offer for Gulf

By Our Financial Staff

PLACID OIL, the Dallas-based privately held company controlled by the Hunt Brothers, is dropping its proposed tender offer for shares of Gulf Resources and Chemical Corporation, the diversified mining group, because of the opposition of the Gulf Resources Board to the bid, estimated to be worth about $400m.

The merger proposal was conditional on Gulf Resources directors agreeing not to oppose the offer by Friday evening, but earlier on Friday Gulf Resources said that directors unanimously rejected the proposal "as not in the best interest of its shareholders."

The Gulf Resources directors, in rejecting the offer, said that it was inadequate and that it raises serious legal questions, mostly of an anti-trust nature.

Earlier in the day, Gulf Resources forecast a "substantial" increase in 1980 earnings if the price of silver remains at or near present levels. The company earned $14.0m or $1.44 per share on revenues of $510m in 1979 compared to $13.5m or $1.41 on revenues of $390.1m the previous year.

CURRENCIES, MONEY AND GOLD

Pressure on interest rates

BY COLIN MILLHAM

Interest rates were very firm in major financial centres last week. Paris call money began on Monday in abundant supply, falling to 11½ per cent, the lowest level for five months. The money market in France is tightly controlled by the authorities, and over the last few weeks the Bank of France had been relatively generous with its intervention, buying large amounts of first category paper at 12 per cent, and enabling the commercial banks to comfortably meet their compulsory reserve requirements.

The tightening of money conditions in New York, following the rise in the Federal Reserve discount rate from 12 per cent to 13 per cent, pushed Federal funds to a peak of 20 per cent, and prime rates to 16¼-16½ per cent. This in turn led to a firming of interest rates around the world, including Paris where the upward trend led to a rise in commercial bank prime rates to 12 per cent from 11½ per cent on Friday.

On Wednesday the Bank of France raised its money market intervention rate by ⅜ per cent to 12⅜ per cent when buying FFr 2bn of paper from the market, having already increased the discount rate on Treasury bills the preceding afternoon. In reaction call money rose sharply from 11⅞ per cent on Wednesday to 12⅞ per cent Thursday and Friday, taking it back to the five-year peak first touched in December.

Also resulting from the Federal Reserve commitment to tightening its credit reins, the Bank of Japan discount rate was increased to 7¼ per cent from 6¼ per cent. The weak Japanese yen failed to respond however and required continued support in the foreign exchange market.

A rise in the discount rate was expected, but the timing was obviously forced on the authorities, since such a move is not generally made while the national budget is still under consideration by the Japanese Parliament.

The Belgian franc was under pressure at the bottom of the European Monetary System, and the Belgian National Bank raised the interest rate on Treasury certificates, but left its discount rate unchanged at 10½ per cent. At the same time the authorities in Brussels showed reluctance to drive interest rates even higher and postponed plans for two public borrowings. In its latest monthly report the German Bundesbank spoke of inflationary pressure and the need to maintain tight monetary policies. As a result of last week's events the market now looks to Germany as a likely place for a rise in the central bank discount rate, to be followed by a similar move from the Netherlands.

GOLD

	February 22		February 21	
Gold Bullion (fine ounce)				
Close	$627-632	(£275¼-277½)	$655-660	(£280¼-288½)
Opening	$646-653	(£283¾-286)	$646-635	(£284.75-287)
Morning fixing	$643.50	(£281.533)	$646.50	(£283.133)
Afternoon fixing	$630	(£276.680)	$665	(£290.609)
Gold Coins				
Krugerrand	$630-656	(£277-280)	$658-663	(£287-290)
Mapleleaf	$630-640	(£277-282)	$657-667	(£287-292)
New Sovereigns	$160-163	(£70-79)	$164-167	(£71½-73½)
King Sovs	$171-170	(£70-77)	$175-172	(£76½-79½)
Victoria Sovs	$172-175	(£75½-77½)	$175-172	(£77-80)
French 20s	$160-130		$103-158	
50 pesos Mexico	$780-790		$812-829	
100 Cor. Austria	$605-615		$635-640	
$20 Eagles	$735-745		$705-765	
$10 Eagles	—		—	
$5 Eagles	—		—	

OTHER MARKETS

Feb. 22	£	$		£ Note Rates
Argentina Peso	3860-3260	1690-1705	Austria	26.60-26.85
Australia Dollar	2.0665-2.0705	0.9080-0.9085	Belgium	66.75-67.20
Brazil Cruzeiro	102.55-103.30	44.65-40.40	Denmark	12.47-12.63
Finland Markka	8.48-8.46	3.7240-3.7260	France	9.32-9.36
Greek Drachma	88.287-90.275*	38.40-38.70	Germany	3.99-4.010
Hong Kong Dollar	11.22¾-11.24¾	4.9280-4.9350	Italy	1890-1955
Iran Rial	n/a	n/a	Japan	563-006
Kuwait Dinar (KD)	0.619-0.622	0.2732-0.2735	Netherlands	4.39½-4.49
Luxembourg Frc.	64.95-65.05	28.05-28.57	Norway	11.15-11.29
Malaysia Dollar	4.9025-4.9765	2.1800-2.1820	Portugal	103½-110
New Zealand Dlr.	2.0323-2.0376	1.0245-1.0255	Spain	150-107½
Saudi Arab. Riyal	7.62-7.72	3.3390-3.3620	Sweden	9.58-9.59
Singapore Dollar	4.9075-4.9170	2.1560-2.1580	Switzerland	3.73½-3.77½
Sth. African Rand	1.8436-1.8446	0.8100-0.8105	United States	2.275-2.285
U.A.E. Dirham	8.48-8.32	3.7400-3.7430	Yugoslavia	51-52½

Rate given for Argentina is free rate. * Indication only.

THE DOLLAR SPOT AND FORWARD

Feb. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2700-2.2870	2.2755-2.2765	0.28-0.18c pm	1.21	0.90-0.80 pm	1.49
Ireland†	2.1090-2.1155	2.1090-2.1120	0.35-0.25c pm	1.70	1.10-1.00 pm	1.99
Canada	1.1485-1.1528	1.1520-1.1524	0.38-0.26c pm	3.28	0.95-0.75 pm	2.95
Nethlnd.	1.9310-1.9390	1.9352-1.9362	0.72-0.62c pm	4.15	2.03-1.93 pm	4.09
Belgium	28.39-28.58	28.55-28.57	3½-4c pm	1.95	14-11 pm	1.75
Denmark	5.4710-5.4770	5.4710-5.4725	1.60-2.10ore dis	−4.06	5.60-6.10dis	−4.28
W. Ger.	1.7490-1.7620	1.7580-1.7590	1.12-1.02pf pm	7.30	3.30-3.20 pm	7.39
Portugal	47.65-47.90	47.75-47.85	8-18c dis	−3.26	25-55 dis	−3.35
Spain	66.85-67.04	66.90-67.00	20-35c dis	−4.93	65-85 dis	−4.48
Italy	811.15-812.90	812.60-812.90	1-1½ lire dis	−1.84	5½-6 dis	−2.83
Norway	4.8880-4.8940	4.8880-4.8900	1.75-1.25ore pm	3.68	0.05-4.55 pm	3.83
France	4.1075-4.1320	4.1290-4.1320	0.97-0.87c pm	2.67	2.70-2.55 pm	2.54
Sweden	4.1775-4.1900	4.1865-4.1880	0.75-0.65ore pm	1.86	1.15-0.95 pm	1.00
Japan	246.40-247.75	247.45-247.55	1.45-1.30y pm	0.67	4.00-3.85 pm	0.34
Austria	12.553-12.573	12.568-12.573	7.30-6.70gro pm	6.68	23.50-21.50pm	7.16
Switz.	1.6440-1.6640	1.6610-1.6620	1.75-1.65c pm	12.28	4.50-4.40 pm	10.71

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Feb. 22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2700-2.2870	2.2755-2.2765	0.28-0.18c pm	1.21	0.90-0.80 pm	1.49
Canada	2.6110-2.6280	2.6225-2.6235	0.95-0.75c pm	3.89	2.85-2.65 pm	4.27
Nethlnd.	4.39½-4.42½	4.40½-4.41½	2¼-1¼c pm	5.10	6½-5½ pm	3.44
Belgium	64.90-65.28	64.95-65.05	22-12c pm	3.14	60-50 pm	3.38
Denmark	12.44-12.51	12.45-12.46	2-4ore dis	−2.89	7½-9½ dis	−2.73
Ireland	1.0780-1.0810	1.0787-1.0797	0.02p pm-0.08dis	−0.33	0.04-0.14dis	−0.33
W. Ger.	3.99-4.02	4.00-4.01	3½-2½pf pm	8.61	9½-8½ pm	8.89
Portugal	108.50-109.20	108.70-108.90	20-70c dis	−4.96	30-130 dis	−2.94
Spain	152.00-153.20	152.15-152.25	10-65c dis	−3.15	45-145 dis	−2.50
Italy	1,847-1,855	1,848-1,849	¼ lira pm-1¼ dis	−0.49	4¼-6¾ dis	−1.24
Norway	11.12-11.19	11.13-11.14	5¼-3¼ore pm	4.58	15¼-13¼ pm	3.12
France	9.38-9.41	9.39¼-9.40¼	3¼-2¼c pm	4.13	10¼-9¼ pm	4.36
Sweden	9.31-9.56	9.52½-9.53½	2¼-¼ore pm	2.20	6¼-4¼ pm	2.20
Japan	558-568	562½-563½	4.05-3.45y pm	7.99	11.50-10.90pm	7.96
Austria	28.55-28.70	28.60-28.65	25-15gro pm	8.38	67-57 pm	8.66
Switz.	3.75-3.79½	3.78-3.79	4¼-3¼c pm	13.08	11¼-10¼ pm	12.02

Belgian rate is for convertible francs. Financial franc 66.80-66.90. Six-month forward dollar 1.62-1.52c pm. 12-month 2.55-2.45c pm.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 16.35-16.55 per cent; three-months 16.65-16.85 per cent; six months 16.70-16.90 per cent; one year 15.70-15.90 per cent.

Feb. 22	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	n.a.	10⅝-13⅞	9-10	11⅝-11⅞	⅛-⅝	7⅜-7½	12-12¼	13½-13½	—	7-8
7 days' notice	17-17½	15¾-16	9-10	11¾-16	9⅜-2⅜	7⅞-8	16½-18¾	13-16⅛	13¾-16⅞	8⅜-8⅝
Month	17⅝-17¾	16¼-16½	15⅜-15¾	12-12¼	3⅜-3½	8½-8⅝	13⅛-13⅜	17-18	16⅞-16⅞	9⅜-9⅞
Three months	18⅛-18½	16⅞-17⅛	15⅜-15¾	12⅜-12⅝	5½-5⅝	8-8½	13⅝-10⅞	18⅛-18½	16⅛-16⅝	9⅞-10⅛
Six months	18⅛-18⅞	16⅞-17⅛	14-14⅜	12⅜-12⅝	5⅞-6	8⅜-8½	14-14¼	19½-20½	16½-16⅝	9⅞-10⅛
One year	17⅛-17⅞	16⅜-16⅝	14-14½	12⅜-12⅝	6⅛-6⅛	8⅞-9⅛	14-14¼	21-22	16-16⅛	9⅞-10⅛

Long-term Eurodollar two years 15⅜-15⅝ per cent; three years 15⅜-15⅝ per cent; four years 13-15¾ per cent; five years 14¾-14⅞ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

LONDON MONEY RATES

Feb. 22 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	15-17½	—	—	—	16½-16¾	16-17	—	—	—
2 days notice	—	—	17½-17⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17¼-17⅝	17⅝-17⅞	—	12	17⅜-17¾	16⅜-16⅞	—	—	—
One month	17⅛-17⅛	17¾-18	17¾	18¾-18½	18	18	16½	13⅞	17⅜	18⅛
Two months	17⅛-17⅛	17⅞-18	—	16-16¼	12	—	16⅜	10	17⅝	17⅞
Three months	17⅛-17⅞	17⅞-16	17⅞	16¼-17½	12	18-18⅛	16½	10⅛	17⅞	17⅝
Six months	17⅛-17⅛	17¼-17½	16⅝-17¼	17⅛-16⅝	17¾	16	—	—	16⅛	10¾
Nine months	16½-16⅝	16½-16¾	—	17-16⅝	17	—	—	—	—	—
One Year	16¼-16⅛	16⅜-16⅝	16½-16¾	16⅜-16⅛	16¾	—	—	—	—	—
Two years	—	—	16-16¼	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. * Long-term local authority mortgage rates nominally three years 15⅞-16⅛ per cent; four years 15¾-15⅞ per cent; five years 15½-15¾ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 17 per cent; four-month trade bills 17¾ per cent.

Approximate selling rates for one-month Treasury bills 15¾ per cent; two-months 15⅞ per cent; three-months 18 per cent. Approximate selling rates for one-month bank bills 17⅝ per cent; two-months 17½ per cent; three-months 17⅞ per cent; one-month trade bills 18 per cent; two-months 17¾ per cent and three-months 17½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 17 per cent from February 1, 1980. Clearing Bank Deposit Rates for sums at seven days notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.1643 per cent.

CURRENCY RATES

Feb. 22	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.574229	0.623755
U.S. $	13	1.30976	1.42149
Canadian $	14	1.51046	1.65272
Austria Sch.	6¼	16.4611	17.8397
Belgian F.	10½	37.3676	40.6049
Danish K.	13	7.17094	7.78764
D'Mark	6	2.29268	2.49969
Guilder	6½	2.55046	2.75215
French Fr.	6½	5.69460	3.87216
Lira	15	1065.26	1154.66
Yen	7¼	522.594	560.682
Norwgn. Kr.	9	6.41589	6.66536
Spanish Pta.	8	87.6780	96.1655
Swedish Kr.	10	5.47178	5.94994
Swiss Fr.	2	2.15435	2.35965

PENDING DIVIDENDS

	Date	Announcement last year
AAH	Mar. 5	Int. 3.025
APV	Mar. 29	Final 4.245
Anglo-Amer. Inv.	Mar. 13	Final 520c
Armstrong Equipment	Mar. 21	Int. 0.88
Ault and Wiborg	Mar. 3	Final 1.44
BBA	Mar. 29	Final 1.784
BICC	Mar. 28	Final 6.29
*BPM	Mar. 27	Int. 1.062
BSR	Mar. 8	Final 3.816
BTR	Mar. 14	Final 5.5
Barclays Bk.	Feb. 22	Final 7.41
Barratt Devs.	Mar. 19	Int. 2.9
Bejam	Mar. 21	Int. 0.77
Bell (A.)	Mar. 21	Int. 1.768
*Bibby (J.)	Mar. 21	Final 8.722
Booker McConnell	Mar. 22	Final 3.952
Bowring (C. T.)	Mar. 22	Final 2.348
British Aluminium	Mar. 21	Final 42.85
British Enkalon	Feb. 28	Final nil
BP	Mar. 15	Final 16.885
*British Vita	Mar. 4	Final 1.5
Brooke Bond	Mar. 13	Int. 0.916
*Brown Bros.	Feb. 27	Int. 0.53
Carlton Inds.	Mar. 29	Final 3.5
Coates Bros.	Mar. 29	Final 1.731
Collins (Wm.)	Mar. 15	Final 3.094
*Comm'l Bank Aust.	Feb. 28	Int. 8.5c
*Commercial Union	Feb. 26	Final 5.673
Corah	Mar. 8	Final 1.17
Dewney Day	Mar. 21	Int. 0.76
De Beers Cons. Mines	Mar. 6	Final 45c
Ductile Steels	Mar. 30	Int. 2.118
Expanded Metal	Mar. 19	Final 2.345
Fairclough Constr.	Mar. 13	Final 2.0
*Fisons	Mar. 3	Final 8.337
*General Accident	Feb. 27	Final 4.917
Gibbons Dudley	Mar. 22	Final 2.057
*Grindlays	Mar. 4	Final 2.071
Hall Eng.	Mar. 16	Final 2.471
Harrisons Mlyn. Ests.	Mar. 16	Int. 1.5
*Hepworth Ceramic	Mar. 20	Final 2.861
*HK & Shanghai Bank	Feb. 26	Final HK$0.80
*Hoover	Feb. 27	Final 6.39
House of Fraser	Mar. 29	Final 3.437
*Howden (Alex.)	Mar. 27	Final 4.5
*ICI	Feb. 28	Final 8.466
*IMI	Feb. 28	Final 2.003
Inveresk	Mar. 20	Final 1.417
*Jacobs (John I.)	Mar. 16	Final 1.35
Johnson and Firth Brown	Mar. 16	Int. 1.3
Kleinwort Benson	Mar. 13	Final 3.34
Laird Gp.	Apr. 2	Final 1.52
Legal and Gen. Assce.	Mar. 28	Final 4.184
Lex Service	Mar. 8	Final 2.7
Liverpool Daily Post	Mar. 21	Final 6.098
London Shop Prop.	Mar. 1	Int. 0.901
Lucas Inds.	Mar. 29	Int. 2.567
*Metal Closures	Mar. 16	Final 2.805
Midland Bank	Mar. 14	Final 9.942
Mucklow (A. J.)	Mar. 29	Int. 1.32
*NatWest	Feb. 26	Final 7.15
Newman Tonks	Mar. 23	Int. 1.5
News Intl.	Mar. 29	Final 6.43
Philips Lamps	Mar. 22	Final due
*Prudential	Mar. 26	Final 5.263
*Ransomes Sims	Feb. 26	Final 6.58
Reed (Austin)	Mar. 29	Final 3.051
*Rentokil	Mar. 4	Final 1.16
Rockware	Mar. 21	Final 3.57
Rolls-Royce Motors	Mar. 12	Final 2.995
*Royal Dutch	Mar. 20	Final fl 5.75
*Royal Insce.	Mar. 3	Final 11.5
Samuel Props.	Mar. 29	Int. 1.0
Schroders	Mar. 28	Final 8.775
*Shell	Mar. 6	Final 6.986
Slough Ests.	Mar. 26	Final 1.529
Smith and Nephew	Mar. 15	Final 1.780
*Steetley	Mar. 27	Final 4.473
Stone-Platt	Mar. 22	Final 1.33
Tiger Oats	Mar. 21	Final 33c
Tilling (T.)	Mar. 21	Final 3.01
*[illegible] Dev.	Mar. 13	Final 2.351
Tricentrol	Mar. 13	Final 0.837
*Tube Invs.	Mar. 19	Final 12.421
*Turner and Newall	Mar. 12	Final 7.0
*Unilever	Mar. 27	Final 27%
Utd. Biscuits	Mar. 13	Final 1.506
Utd. City Merchants	Mar. 6	Int. 0.45
*Vantona	Feb. 26	Final 3.01
Ward White	Mar. 30	Final 2.88
*Waterford Glass	Mar. 16	Final 1.05
Weir Gp.	Mar. 21	Final 3.86
Willis Faber	Mar. 20	Final 8.84
Wolf Elect. Tools	Mar. 22	Final 0.789
Wolseley-Hughes	Mar. 13	Int. 3.66
*Woolworth (F. W.)	Mar. 12	Final 3.245
Yorkshire Chems.	Mar. 22	Final 2.44

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	17 %
Allied Irish Bank	17 %
Amro Bank	17 %
American Express Bk.	17 %
Henry Ansbacher	17 %
A P Banks Ltd.	17 %
■ Arbuthnot Latham	17 %
Associates Cap. Corp.	17 %
Banco de Bilbao	17 %
Bank of Credit & Cmce.	17 %
Bank of Cyprus	17 %
Bank of N.S.W.	17 %
Banque Belge Ltd.	17 %
Banque du Rhone et de la Tamise S.A.	17½%
Barclays Bank	17 %
Bremar Holdings Ltd.	18 %
Brit. Bank of Mid. East	17 %
■ Brown Shipley	17 %
Canada Perm't Trust	18 %
Cayzer Ltd.	17 %
Cedar Holdings	17 %
■ Charterhouse Japhet	17 %
Choulartons	17 %
C. E. Coates	17 %
Consolidated Credits	17 %
Co-operative Bank	*17 %
Corinthian Secs.	17 %
The Cyprus Popular Bk.	17 %
Duncan Lawrie	17 %
Eagil Trust	17 %
E. T. Trust Limited	17 %
First Nat. Fin. Corp.	18½%
First Nat. Secs. Ltd.	18 %
Robert Fraser	18 %
Antony Gibbs	17 %
Greyhound Guaranty	17 %
Grindlay's Bank	‡17 %
■ Guinness Mahon	17 %
■ Hambros Bank	17 %
■ Hill Samuel	§17 %
C. Hoare & Co.	†17 %
Hongkong & Shanghai	17 %
Industrial Bk. of Scot.	17½%
Keyser Ullmann	17 %
Knowsley & Co. Ltd.	18½%
Langris Trust Ltd.	17 %
Lloyds Bank	17 %
Edward Manson & Co.	18 %
Midland Bank	17 %
■ Samuel Montagu	17 %
■ Morgan Grenfell	17 %
National Westminster	17 %
Norwich General Trust	17 %
P. S. Refson & Co.	17 %
Rossminster	17 %
Ryl. Bk. Canada (Ldn.)	17 %
Schlesinger Limited	17 %
E. S. Schwab	17 %
Security Trust Co. Ltd.	18 %
Standard Chartered	17 %
Trade Dev. Bank	17 %
Trustee Savings Bank	17 %
Twentieth Century Bk.	17 %
United Bank of Kuwait	17 %
Whiteaway Laidlaw	17½%
Williams & Glyn's	17 %
Wintrust Secs. Ltd.	17 %
Yorkshire Bank	17 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼% and over £25,000 15½%.
‡ Call deposits over £1,000 16%.
§ Demand deposits 15%.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Alyn and Deeside (0244 531212)	15¼	½-year	5,000	1
Bury (061 764 6000)	15¼	½-year	1,000	1
Bury (061 764 6000)	14½	½-year	1,000	2
Knowsley (051 548 6555)	15¼	½-year	1,000	1
Reading (0734 592325)	14½	½-year	1,000	4-6
Redbridge (01-478 3020)	15	½-year	1,000	1
Redbridge (01-478 3020)	14⅞	½-year	200	2-3
Redbridge (01-478 3020)	14	½-year	200	5-6

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P/E Ratio
£1	F.P.	61/3	102	100	Child Health Res'ch.	101	......	—	—	—	—
180	F.P.	7/3	108	96½	Emess Lighting	106	−1½	b6.0	5.0	8.1	4.8
10	F.P.	28/2	11	10	Keep Inv. Trust 0p	10¼	......	—	—	—	—
‡‡	F.P.	7/5	88	72	Lon.Merc'tSecs.Defd	72	......	—	—	—	—
—	F.P.	—	34	29	Roche Plant 10p	34	......	1.25	2.7	0.3	7.e

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price £	+ or −
‡‡	F.P.	—	37p	35½p	Aurora 5.85% Cum. Pref.	36½p	......
‖120p	F.P.	13/3	121pm	109p	Clifford(Chas.) 12% Cum. Pref.	116p	......
‡‡	F.P.	30/5	98p	94	Felixstowe Dock 9½% Cum Red Pref.	94	......
‡‡	F.P.	6/2	88p	85p	Hewitt (J.) 10% Cum. Pref.	85p	......
‡‡	£10	—	8⅝	8⅝	Mid Kent Water 9% Red Pref. 1985	8½	+⅛
‡‡	£10p	24/4	9	6½	Rk'm'nw'h & Uxbridge Wtr. 9%RdPf 1985	8½	−⅛

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979/80 High	1979/80 Low	Stock	Closing Price p	+ or −
$23.50	Nil	—	—	—	Bank of Montreal	18pm	+1
33½	F.P.	23/1	[illegible]	[illegible]	Edwards (Louis C.)	[illegible]	[illegible]
40	F.P.	22/1	[illegible]	[illegible]	Elson & Robbins	[illegible]	[illegible]
60	[illegible]	[illegible]	[illegible]	[illegible]	Hammerson Prop. A	[illegible]	[illegible]
A$1	[illegible]	[illegible]	[illegible]	[illegible]	Hammerson Corp.	[illegible]	[illegible]
60cts	[illegible]	[illegible]	[illegible]	[illegible]	Pancontinental	375pm	[illegible]
25	[illegible]	[illegible]	[illegible]	[illegible]	Paringa	[illegible]	[illegible]
26p	[illegible]	[illegible]	[illegible]	[illegible]	Premier Cons. Oilfields	[illegible]	[illegible]
R0.50	Nil	[illegible]	[illegible]	[illegible]	Rand London Coal Units	12pm	+2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 ordinary shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

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Schroder Life Group
Enterprise House, Portsmouth. 0705 27733
International Funds

J. Henry Schroder Wagg & Co. Ltd.

Lloyds Bank International, Geneva

M & G Group

Midland Bank Trust Corp. (Jersey) Ltd.

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Negit S.A.

Negit Ltd.

Pacific Basin Fund

Phoenix International

Providence Capitol Life Ass. (C.I.)

Quest Fund Mngmnt. (Jersey) Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Rothschild Asset Mngt. (Bermuda)

Royal Trust (C.I.) Fd. Mgt. Ltd.

Save & Prosper International

Schlesinger International Mngt. Ltd.

Seaboard Assurance International Ltd.

Singer & Friedlander Ldn. Agents

Stronghold Management Limited

Standard Chartered Intl. Bd. Fd.

Surinvest (Jersey) Ltd.

Surinvest Trust Managers Ltd.

TSB Unit Trust Managers (C.I.) Ltd.

TSB Gilt Fund Managers (C.I.) Ltd.

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Unilife Assurance (Overseas) Ltd.

Union-Investment-Gesellschaft mbH

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United States Tst. Intl. Adv. Co.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

Wardley Investment Services Ltd.

World Wide Growth Management

Wren Commodity Trust

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	49.5	52.4	+0.7	1.97
Abbey Capital	36.3	39.2	-0.1	5.63
Abbey General	47.3	50.5	-0.1	5.86
Abbey Gilt & F.I. Tst.	99.2	105.5	-0.3	4.74
Abbey Income	41.7	45.0		8.56
Abbey Intl. Bd. Tst.	92.2	96.5	-0.4	5.70
Abbey Inv. Tst. Fnd.	38.2	41.2	-0.3	5.75
Equitas Prog. Trust	70.4	76.1	-0.3	5.71

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill; London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref	90.1	94.9xd	.....	12.97

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	75.7	81.0xd	-0.3	5.93
Brit. Inds. Fund	69.7	74.6	-0.1	6.03
Growth & Income	41.4	44.3	-0.2	5.69
Elect. & Ind. Dev.	38.4	41.1	-0.1	5.37
Allied Capital	77.8	83.2	-0.1	5.29
Hambro Fund	118.5	126.6	-0.5	5.80
Hambro Acc. Fund	144.9	155.0	-0.7	5.42
Income Funds				
High Yield Fd.	68.6	73.6xd	-0.3	10.05
High Income	71.7	76.5	-0.7	7.71
A. H. Eq. Inc.	41.1	44.0xd	-0.2	7.93
International Funds				
International	29.3	31.4xd	-0.1	3.45
Pacific Fund	47.4	50.7	-0.3	2.44
Secs. Of America	60.8	65.1	-0.5	2.15
Specialist Funds				
Smaller Co.'s Fd.	48.3	51.7	....	4.55
2nd Smlr. Co's Fd.	58.0	62.1	-0.1	4.59
Recovery Sits.	115.3	123.4	-0.4	6.28
Met. Min. & C'dty.	61.2	65.5	-0.2	4.50
Overseas Earnings	59.2	63.3	-0.6	5.37
Exempt Funds				
Far East Exempt	53.7	55.8	-0.1	3.17
Smaller Co. Exempt	74.8	78.5	-0.1	4.97
U.S.A. Exempt	107.7	112.0	-1.0	3.13

Discretionary Unit Fund Managers
22 Blomfield St., EC2M 7AL. 01-638 4485

Disc. Inc. Feb. 22	213.0	227.2	+3.0	5.24

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square WC1A 2RA 01-623 8893

Great Winchester	17.7	19.6xd	.....	7.07
Gt. Winchester O'seas	20.8	23.1xd	.....	4.73

Emson & Dudley Tst. Mngmnt. Ltd.
20b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	76.4	82.2	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	76.1	80.1	-0.3	4.93

Fidelity International Management Ltd.
62-63, Queen St., London, EC4R 1A0. 01-248 4891

American	26.8	28.3	-0.1	1.00
Fixed Interest	25.2	26.4	.....	12.10
Growth + Income	29.3	30.9	.....	7.8
Special Sits.	29.1	30.7	+0.1	3.00

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	28.9	31.1	.....	2.19
Accum. Units	35.1	37.7	.....	2.19
J. Finlay High Income	34.4	37.0	.....	9.40
J. Finlay Euro.Fin.	23.4	25.2	.....	3.37
Accum. Units	28.9	31.1	.....	3.37
J. Finlay Fd. In. Tst.	33.0	35.5	.....	5.46
Accum. Units	39.8	42.8	.....	5.46

Prices on February 20. Next dealing February 27.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American	53.0	56.8	.....	1.28
American Turnaround	53.2	56.4	.....	2.00
Capital Tst.	54.0	57.4	.....	4.73
(Accum. Units)	54.3	57.4	.....	4.73
Extra Income Trust	48.2	51.2	.....	10.20
Income Tst.	37.6	40.0	-0.2	8.32
Int. Growth Fd.	44.8	47.4	.....	2.11
(Accum. Units)	47.2	50.2	.....	2.11

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	49.2	52.6	-0.2	4.84
Do. Accum.	67.8	72.5	-0.3	4.84

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Feb. 14	122.4	122.9	.....	4.72
Gross Inc. Feb. 14	77.6	81.4	.....	10.81
High Yield Feb. 14	90.5	93.5	.....	9.66

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

[illegible]

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MINES

CENTRAL RAND

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EASTERN RAND

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FAR WEST RAND

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O.F.S.

[illegible]

FINANCE

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MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

—	Messina R0.50	217	23.12	Q10c	ϕ	2.6

MISCELLANEOUS

—	Anglo-Dominion	155	—	—	—	—
—	Barymin	95	—	—	—	—
—	Sentre Mines 17½p	14½	575	—	—	—
Aug. Feb.	Cons. Murch. 10c	450	28.12	Q100c	ϕ	12.7
—	Northgate C$1	495	977	—	—	—
Jan. July	R.T.Z.	441	1.11	†11.5	3.4	3.7
—	Rowan Mines	33	—	—	—	—
—	Sabina Inds. C$1	46	—	—	—	—
—	Tara Explo. $1	575	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ø Price at time of suspension.
- 9 Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ¢ Not comparable.
- ϕ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ψ Excluding a final dividend declaration.
- ♠ Regional price.
- II No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

"Recent Issues" and "Rights" Page 20

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	25	.....
Bertam	[illegible]	.....
Bdgwtr. Est. 50p	335	.....
Clover Croft	[illegible]	.....
Craig & Rose £1	[illegible]	.....
Dyson (R. A.) A	25	.....
Fife Forge	[illegible]	.....
Finlay Pkg. 5p	19	.....
Graig Ship. £1	[illegible]	.....
Higsons Brew.	[illegible]	.....
Holt (Jos) 25p	[illegible]	.....
I.O.M. Stm. £1	[illegible]	.....
Pearce (C. H.)	[illegible]	.....
Peel Mills	[illegible]	.....
Sheff. Refrshmt.	[illegible]	.....
Sindall (Wm.)	155	.....

IRISH

Conv. 9% '80/82	[illegible]	.....
Nat. 9¾% 84/89	[illegible]	.....
Fin. 13% 97/02	[illegible]	.....
Alliance Gas	55	.....
Arnott	330	.....
Carroll (P.J.)	95	+2
Clondalkin	105	+2
Concrete Prods.	[illegible]	+5
Heiton (Hldgs.)	[illegible]	.....
Ins. Corp.	[illegible]	.....
Irish Ropes	[illegible]	.....
[illegible]	[illegible]	.....
T.M.G.	[illegible]	−5
Unidare	95	+0

OPTIONS

3-month Call Rates

[illegible]

FINANCIAL TIMES

Monday February 25 1980

Kabul civil servants in protest strike

BY OUR FOREIGN STAFF

SHOPS AND bazaars in Kabul remained closed for the fourth consecutive day, and civil servants were reported on strike yesterday following last week's bloody protests against the Soviet intervention in Afghanistan.

Rebel forces based in Pakistan said that hundreds were killed and thousands wounded in two days of fighting between civilians and Afghan troops in the capital.

The Afghan Government said it had crushed an attempt organised by the U.S., Pakistan and China to mount a revolt against the Government of President Babrak Kamal.

A report in the Soviet Communist Party daily Pravda said an American, called an agent of the Central Intelligence Agency, and 16 Pakistanis, also "saboteurs," had been arrested.

Reflecting the deteriorating situation for the Soviet forces in Afghanistan, the Soviet Press yesterday for the first time reported widespread unrest in the country and blamed it on foreign backed "counter revolutionaries."

Despite the threat of a boycott of the Moscow Olympics by the U.S., President Leonid Brezhnev on Friday set the tone for a tougher line in Afghanistan. He said that Soviet troops would remain while the U.S. continued to interfere in Afghanistan's affairs.

The Pravda article yesterday indicated that the Soviet press would now put the emphasis more on the alleged interference by Western powers to justify Moscow's continued presence there.

The Pravda correspondent in the first acknowledgement by Soviet newspapers of unrest outside Kabul, said reports from the cities of Herat, Kandahar and Jalalabad indicated that "counter revolutionaries," supported by foreign intelligence services, were creating disorder.

Some reports from Afghan rebel forces confirmed these reports.

According to reports from New Delhi, Soviet troops sealed off half of Kabul to protect the Soviet embassy and a Russian housing compound following last week's violence.

By blocking access to bridges across the Kabul River, the Soviet soldiers in effect split the city into two parts, according to the Associated Press news agency, quoting reports from Kabul.

The Afghan embassy in Moscow yesterday reported that second deputy Prime Minister Sultan Ali Kishtmand was recovering in hospital following treatment for a stomach ulcer.

The embassy denied a report by rebels that Mr. Kishtmand, who ranks third in the Afghan government, has died from bullet wounds sustained during a clash within Afghanistan's ruling Revolutionary Council.

In Pakistan, the cabinet under President Mohammad Zia ul Haq met to discuss the violence in neighbouring Afghanistan.

The Pakistan government denied at the weekend that Pakistanis had been involved in the demonstrations.

In Islamabad, a spokesman for Afghan insurgents said that civil servants who had gone on strike in Kabul would continue their action indefinitely.

"If the government tries to force the officials to return to work, I am sure it will be resisted," the representative of the Jamait Islami group of Islamic guerrillas said.

Kabul's challenge to Moscow, Page 2

Opposition to U.S. nuclear plans

BY DAVID FISHLOCK IN HANFORD, WASHINGTON

THE 46 nations participating in a two-year reappraisal of nuclear technology first proposed by President Jimmy Carter at the London Economic Summit in 1977 have refused to endorse U.S. Government policies for control of nuclear proliferation.

The final conclusions of the International Nuclear Fuel Cycle Evaluation are expected to be made public after the final plenary meeting under the chairmanship of Professor Abram Chayes of the U.S. in Vienna this week.

In spite of a considerable weight of international opinion against U.S. policy on the fast-breeder reactor and reprocessing of spent nuclear fuel, both banned as commercial practice in the U.S. at present, there is no sign that Mr. Carter is willing to relax U.S. policy.

The President is still fighting Congress in his efforts to abandon the Clinch River demonstration fast reactor, of which the U.S. Government and the electricity industry spent between them $465m (about £220m) by the end of 1979.

Major components for this 380-megawatt plant manufactured and tested by industry to the value of $36m by the end of last year have piled up in warehouses as all site work continues to be blocked by White House decree.

A powerful U.S. nuclear reactor, burning plutonium fuel and designed to test fuel and other parts for commercial fast-breeder reactors, has begun to operate despite vigorous attempts by opponents of nuclear power to prevent start-up.

The £300m reactor, under construction since 1970, has, as the physicists say, "achieved criticality" on the eve of the crucial INFCE statement on plutonium and fast-breeder reactors this week.

Because the new U.S. Government-funded reactor at Hanford, Washington State, is seen by some as conflicting with U.S. policy, the U.S. Government has ordered minimum publicity for this fast-flux test facility, as the project is called.

The latest U.S. energy budget forecasts allocate $70m for operation of this reactor in 1981. It is seen as a key step in development of fuels for commercial fast reactors, and for testing some of their more critical components.

No other nation has built such a powerful research facility for this purpose. It burns a fuel enriched with 25 per cent of plutonium, assembled and inspected in an adjoining laboratory.

Top-level discussions have been held recently between Britain and Westinghouse Electric, which designed and built the reactor, about collaboration on fast-reactor development.

The U.S. is concentrating its fast-reactor programme, formerly scattered among several national laboratores, at the Handford Engineering Development Laboratory, managed by Westinghouse.

The sodium-cooled reactor has been built for $674m, the cost estimated in 1974, despite what one senior scientist described this weekend as "an all-out attempt to prevent it going critical."

Start-up conditions came remarkably close to those forecast by its designers five years earlier. Plans are to raise it slowly to full power, 400 megawatts of heat, by the end of the year.

Chinese Vice-Premier backs nuclear lobby

BY TONY WALKER IN PEKING

PEKING—Vice-Premier Fang Yi has supported calls by China's nuclear lobby for the development of nuclear power stations to overcome energy shortages.

Fang told a large group of Chinese nuclear scientists in Peking at the weekend that he supports their efforts "in creating conditions for the building of nuclear power stations."

The Vice-Premier, who is President of the Chinese Academy of Sciences, was addressing the founding conference of the Chinese Nuclear Society.

The revival of debate in China about a nuclear industry suggests that Chinese authorities may be reviewing a decision made last year not to press ahead with a nuclear power generation programme.

In July last year, China announced it had decided not to take up its option on two French nuclear reactors. China's Jiang Shengjie, one of China's leading nuclear scientists, who is also vice-Minister of the Second Ministry of Machine Building which administers military-related nuclear programmes, called for prompt planning to develop nuclear power.

"We must quickly make a long-term plan for the development of nuclear power, while scientific research work must proceed immediately," he told fellow-scientists.

Jiang made it clear China would need outside assistance to develop a nuclear industry.

Turkey seeks £3.7bn loan from West

BY DAVID TONGE

TURKEY is to present Western governments with two stark alternatives today—either they assist the country with $8.5bn (£3.7bn) of bilateral and untied loans over the next five years or they, and the commercial banks, agree to reschedule nearly half of Turkey's $14bn (£6bn) debt.

These alternatives are set out in an official paper which the Turks are to discuss today in Paris with the Organisation for Economic Co-operation and Development officials.

Two weeks ago Mr. Turgut Ozal, the Turkish Minister responsible for co-ordinating economic affairs, had said he would seek a rescheduling of about $3bn worth of official debt, most of it already rolled over once. Senior Turkish officials then said that no decision had been made on approaching the banks.

But the paper, which is prepared by Mr. Ozal's state planning organisation, also says that Turkey should convert "into a logical and reasonable commitment" the interest due in the next five years and the principal due on commercial bank debts. This is the first such warning to the banks, which last year rolled over $2.9bn worth of Turkish debt and lent the country $407m of fresh money. In both cases the terms included repayment over seven years.

The meeting in Paris is to deal with Turkey's medium-term economic planning and comes one month before OECD members are expected to hold a pledging session to raise fresh credits for Turkey.

Herr Hans Matthoefer, the West German Finance Minister, is now trying to co-ordinate this effort, which after the Afghanistan invasion has taken on added importance.

Last May, Western governments pledged $906m credits to Turkey and this year it is hoped to raise between $1.3bn and $1.8bn.

In the official paper, Turkey forecasts that by 1985 it will be showing a net balance of payments surplus on current and capital account but that between 1980 and 1983 there will be an average annual financing gap of $1.6bn.

The Turks want this gap financed with untied loans at concessionary terms of 10 years repayment, with a four-year grace period, and interest at 8 per cent.

They say that on this basis Turgey will need $1.6bn this year, $2.5bn in 1981, $2bn in 1982, $1.8bn in 1983 and $0.6bn in 1984. They request that the rescheduling be on the same concessionary terms.

For 1980, the paper expects exports to total $3,150m, imports $6,90m, and invisible earnings—mainly migrant workers, remittances—$1,580m. These are expected to rise at annual average rates of 25.4, 10.4 and 18.3 per cent respectively until 1985.

The main influence leading to this "rather bleak picture, as the paper describes it, is the "unrealistic payments required to service Turkey's existing

This year debt repayment and interst is expected to be the debt equivalent of 47 per cent of earnings from exports and invisibles. *Next year the service* ratio on existing debt is forecast to be 41 per cent and then in the following years 37, 43, 33 and 27 per cent.

These are high levels, and the paper says: "Unfortunately the palliative approach of the last rescheduling exercise and debt relief operation did not help towards formulating a lasting solution to this very serious problem.

The paper outlines the major steps taken to correct the causes of the recent crisis, including a 33 per cent devaluation and sharp increases in the prices of state produced goods.

The package has won the approval of the International Monetary Fund, which last week made $193m available to Turkey.

Governments have yet to co-ordinate their responses to the Turkish request. Bankers had feared some such move. Some bankers are disturbed that the country is seeking a rescheduling when as one puts it: "The ink is hardly dry on last year's agreements."

Most are refusing to act until Western governments have primed the pump, but many say that they are to a large extent locked into Turkey, and that if the governments lead they will have little option but to follow.

Continued from Page 1

U.S. chemicals

energy prices, fear they may have as much difficulty in fighting off the Transatlantic threat as their counterparts in the synthetic fibres industry.

The UK quotas on certain synthetic fibres that were authorised by the European Commission last week have been condemned by British companies as being thoroughly inadequate.

Most of the chemicals now being cheaply imported to Europe from the U.S. are used in the making of fibres.

Acrylonitrile is used for making synthetic rubber and fibres: vinyl acetate for adhesives, emulsion paints, plastics and textiles; paraxylene for polyester fibres and styrene for synthetic rubber and plastics.

According to some chemical companies, U.S. styrene is now arriving in Europe at a price of about $770 a tonne, compared, they claim, with a U.S. domestic price of about $815 a tonne. When duty, transport costs and a profit margin have been added in, the actual selling price of imported U.S. styrene in Europe is between $870 and $880 a tonne and this is still well below the contract price of between $960 and $1,000 a tonne being charged by European producers.

The chances of bringing a successful anti-dumping case against the U.S. over styrene imports are thought to be slim. European countries believe that U.S. producers will be quick to raise their European price to a level just above the American domestic price. The European producers believe this would not be enough to stop their markets being eroded.

European chemical producers are charging a contract price of between $870 and $900 a tonne for acrylonitrile. Imports of acrylonitrile from the U.S. are being sold for about $830 a tonne and in some cases the effective price is only $700 a tonne. There is a 16 per cent duty on imports but European customers who buy it to turn it into synthetic fibres for export are allowed to "drawback" the duty. Some European synthetic fibre exporters are therefore receiving a $130 a tonne rebate on their imported acrylonitrile raw material.

Alusuisse in Italian move

IN A re-organisation of its Italian activities, Swiss Aluminium has set up Alusuisse Italia Spa in Milan with a capital of L20bn and an anticipated 1980 turnover of some L150bn ($184.7m), writes John Wicks in Zurich.

Weather

UK TODAY

MOSTLY dry after fog. Some rain in eastern parts.

London, S.E. England and East Anglia

Mostly cloudy and foggy. Rain in places. Max. 7C (45F).

Cent. S. England, E. and W. Midlands, Wales, N. and W. England, S. Scotland

Mostly dry after fog. Some sun. Max. 8C (46F).

E. and Cent. N. England, Borders, E. Scotland

Mainly dry and dull. Fog persisting. Max. 6C (41F).

N. Scotland, N. Ireland, Orkney, Shetland

Cloudy with some rain or drizzle. Max. 9C (48F).

Outlook: Mainly dry with bright spells after fog. Colder.

WORLDWIDE

	Y'day midday	°C	°F		Y'day midday	°C	°F
Ajaccio	F	14	57	I o Man	C	7	45
Algiers	R	16	61	Istanbul	R	4	39
Amsdm.	F	8	46	Jersey	R	5	41
Athens	R	6	43	Jo'burg	F	23	73
Bahrain	R	22	72	L. Plms.	F	18	64
Barclna.	C	14	57	Lisbon	F	16	61
Beirut	F	15	59	Locarno	S	8	46
Belfast	C	6	43	London	R	6	43
Belgrd.	C	3	37	Los Ang.	C	22	72
Berlin	S	3	37	Luxmbg.	F	8	46
Biarritz	R	5	41	Madrid	C	11	52
Bmghm.	C	5	41	Majorca	C	15	59
Blackpl.	C	5	41	Malaga	F	19	66
Bordx.	F	8	46	Malta	C	14	57
Boulgn.	R	6	43	M'chstr	C	4	39
Bristol	C	2	36	Milan	S	9	48
Brussels	S	12	54	Mntreal.	C	−6	21
Budpst.	F	3	37	Moscow	C	−6	21
B. Aires	C	26	78	Munich	S	4	39
Cairo	C	18	64	Naples	S	13	55
Cardiff	C	4	39	Nwcstl.	C	7	45
Cas'b'ca	C	16	61	N. York	C	10	50
Cape T.	C	29	84	Nicosia	F	17	63
Chicago	C	5	41	Oporto	S	14	57
Cologne	S	11	52	Oslo	S	−5	23
Cpnhgn.	C	−2	28	Paris	R	7	45
Corfu	F	11	52	Prague	S	4	39
Dublin	C	6	43	Reykjvk.	F	1	34
Dbrvnk.	S	11	52	Rhodes	F	14	57
Ednbgh.	C	7	45	Rome	S	12	54
Faro	F	18	64	Salzbrg.	S	7	45
Florence	S	14	57	Stckhm.	S	0	32
Frankft.	S	9	48	Strasbg.	S	6	43
Funchal	F	17	63	Tangier	F	18	64
Geneva	C	8	46	Tel Aviv	C	17	63
Gibrltr.	C	17	63	Tenerife	F	13	55
Glasgow	C	7	45	Tunis	F	16	61
G'nsey	R	3	37	Valencia	R	13	55
Helsinki	F	−2	28	Venice	S	7	45
H. Kong	C	18	65	Vienna	S	4	39
Innsbrk.	S	10	50	Warsaw	C	−3	27
Invrnss.	S	8	46	Zurich	C	4	39

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

Policy to help develop products for export

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE GOVERNMENT is to draw up detailed plans during the next few months for a new public purchasing policy to encourage British companies to develop products which can win export orders.

This will complement other State encouragement for research and development work, which includes the Industry Department's product and process development aid scheme.

Sir Keith Joseph, Industry Secretary, has decided that this aid scheme, set up three years ago under the Science and Technology Act, 1965, should continue indefinitely. His decision is partly the result of concern that companies may cancel some development programmes because they face declining levels of profitability over the next two years.

Sir Keith is also the prime mover behind the proposed public purchasing policy. He has just received outline Treasury approval for his ideas, which he sees as a major way for the Government to provide direct help to industry.

Now civil servants in Sir Keith's Department and other Ministries are to prepare a paper examining which parts of the public sector might usefully be linked with suppliers so that new products can be developed and then demonstrated to potential overseas customers.

Existing links, quoted to illustrate the potential, include the way the National Coal Board has been involved in the development of mining machinery, and the co-operation between the Post Office and telecommunications manufacturers in the development of System X — automatic exchange equipment.

The idea is that instead of specifying precisely what equipment they need, public sector departments and agencies should only state their objectives. They would then work with the suppliers to develop products.

It is hoped this would improve the overseas competitiveness of British industry. But the Government is finding it difficult to develop an overall policy covering, for example, automated offices, the electricity industry, defence equipment, coal mines, and the national health service which itself has just been provided with a new central procurement agency by the Department of Health.

Sir Keith is specially interested in the idea because it does not involve any significant increase in public expenditure and because it could be seen as an alternative to the sort of direct State aid to industry of which he disapproves. He is running this aid down so that on average, over the next four years, it will fall to 80 per cent of the 1979-1980 levels.

In spite of this rundown, Sir Keith decided some time ago that the product and process development aid scheme should be continued. But he authorised no public announcement, presumably because he does not basically approve of such policies.

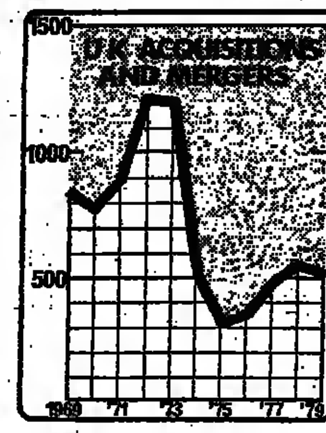
Some £46m has been allocated for 367 projects worth £150m under the scheme since 1977. The aid covers 25 per cent of development costs incurred between the design stage and commercial production of a new product or process. Alternatively 50 per cent of the cost can be provided if the Government later receives a levy on the value of commercial sales.

Sir Keith Joseph's ideas on industry, Page 12.

THE LEX COLUMN

Tax measures for giant killing

Despite the recent pick-up, takeover activity has been running at well below half the rate of the boom years at the beginning of the 1970s. The merger boom has produced a backwash of disillusionment: there has been scant evidence that conglomerates, often built up in an arbitrary way, have turned in better performances than the individual components would have done left on their own. There are diseconomies of scale as well as economies.



Many examples exist, such as Rolls-Royce Motors (when part of the aero engines group) or Leyland trucks and buses, of successful enterprises dragged down and drained of cash by the needs of other businesses in the group. Big groups are also liable to fall foul of the Monopolies Commission on further acquisitions, even where the industrial logic is good. And there are many sleepy corners of large groups where the managers lack incentive and independence.

Legislation

Some companies—with GEC in the vanguard—have now begun talking in public about splitting into sub-groups which would be entirely independent. But many prospective demergers face an impenetrable barrier in present tax legislation. While the current "small is beautiful" movement has yet to prove that it can produce superior results, it is widely recognised that the present heavy bias in tax legislation towards agglomeration should be corrected as much as possible. That is why the Government is preparing to bring out important measures in next month's Budget statement to remove the barrier.

Demerged companies will admittedly be turning their backs on some solid benefits. Large conglomerates have more clout in obtaining finance, can support cash hungry operations with cash generators and obtain a steadier profits performance by spreading their interests through different sectors. Demerging can backfire—as Stenhouse Holdings found last year, when a takeover battle broke out for its former subsidiary, Caledonian Holdings, a day after it was floated.

On the other hand, many companies believe that the Stock Exchange can put too much emphasis on the ailing parts of their business and demerging can be the best way of pushing up market capitalisation and reducing vulnerability to takeovers. Crucially, institutional investors now have a much more positive attitude to small- and medium-sized companies than they had, say, a decade ago.

Little can be done to remove the *inherent bias* tax system in favour of size created by group relief, which permits companies to offset tax obligations in one part of their operation with allowances elsewhere. This factor has been a major inducement for mergers, as in the case of the Trafalgar House takeover of Cunard—together with its capital allowances—and the BAT Industries takeover of International Stores to cover UK advance corporation tax.

The simplest way of splitting a company is to hive off the subdivisions and give shareholders stock in the new companies in proportion to their holdings in the parent company. Under present legislation this process would run into both income tax and capital gains tax problems. The income tax difficulties are the more formidable.

Liquidating

All distributions to shareholders — whether as cash or assets — are normally subject to income tax and ACT. One of the two exceptions is when a company goes into liquidation. In this case shareholders can be given shares in two or more successor companies without incurring an income tax liability, although CGT is chargeable.

For close companies, even liquidation is not foolproof, since the Revenue can treat the new shares as a distribution under the tax avoidance provision Section 460. CGT, rather than income tax, is also chargeable where share capital is being returned to shareholders, as in the case of W. N. Sharpe in 1978. Here again the Revenue must be satisfied, under Section 460, that the main aim is not to obtain a tax adavantage.

Liquidation was the method used by John Laing in 1978 when it split into the John Laing construction and Laing Properties subdivisions. However, it is not always a realistic option since the commercial cost can be exortionate. In particular, the terms on which many debentures have been issued require repayment of the loan capital on liquidation. The interest rate differentials involved in replacing loan stock in the present financial climate make such a move prohibitively expensive for many companies—including GEC.

The main concern in loosening the legislation is that the new provision could become a vehicle for tax avoidance. If division of a company were not considered a *distribution*, a company could spin off its cash in a new company whose stock would be issued to shareholders. The new company could then be liquidated and shareholders would receive what was in effect a dividend without liability to income tax or ACT.

The difficulty in framing precise legislation is that the division could be part of a chain of developments, the end result of which is that cash or assets passes out of the corporate sector into the hands of shareholders without liability to tax.

The Revenue is known to be unhappy about adopting a prior clearance system, since this would call on it to make commercial judgments which it argues it is not equipped to do. Nevertheless, prior clearance is a strong possibility, tied to some form of time test in which cash or assets would not be permitted to move out of the corporate sphere for several years after the division.

The changes will not remove the group relief inducement in favour of mergers, but they will introduce a bias in favour of a company demerging as opposed to selling off part of its business, since any gain involved in the latter operation would be subject to capital gains tax. But with the big companies on the international stage showing few signs of shrinking, and Government intervention favouring the big guns, shareholder pressure will need to be extreme before corporate breakups are proposed in significant numbers.

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